

A USEFUL LOOK AHEAD FROM WASHINGTON

DECEMBER 1971

# Nation's Business

LABOR LAW REFORM:  
ESSENTIAL TO FIGHT  
INFLATION

BY SEN. JOHN G. TOWER

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*Cover photograph by Barry Blackman*

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# Memo From the Editor

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Some of you challenged my editorial of last month putting the blame for inflation basically on government deficits.

For example, O. F. Runde, president of the Federal Glass Co. in Columbus, Ohio, wrote: "The problem is obviously a combination of things. The wage-price spiral is presently the most serious. . . ."

I certainly agree. I'd still contend that excess government spending is basic, but other things that cause inflation deserve to be examined, too.

One of the biggest problems, in this country at least, is the monopoly power of labor unions. It's simply impossible to keep prices from going up when labor costs keep skyrocketing.

Obviously, something needs to be done to correct this problem. One of the lawmakers who's leading the effort to find solutions is Sen. Tower of Texas. He has given a lot of thought to this subject, and has introduced legislation that would make some of the necessary corrections. He discusses these in the article beginning on page 42.

Economists, of course, point out that there are even more complex causes of inflation. We think you will be interested in an expert's assessment of some of the reasons for the present situation and the outlook for the current controls program.

To get this assessment, we went to Dr. Raymond J. Saulnier, who headed President Eisenhower's Council of Economic Advisers and is now a professor at Columbia University. In the article beginning on page 64, Dr. Saulnier brings up still another cause of inflation—the money flow.

We have found that the entire range of inflation causes, the economic situation and—especially—the controls program are of intense interest to businessmen throughout the country.

In the 15 Aircade meetings recently held by the Chamber of Commerce of the United States, big and enthusiastic crowds fired question after question on economic subjects at the panel experts. The moderator of all this dialogue was Arch Booth, National Chamber executive vice president (see photo).

The questions and discussions illustrated the fact that many factors enter into inflation. You can emphasize any one of them in a specific talk or article.

You pay your money and you take your choice. But in any event, you pay your money.

To tell the truth, I really don't understand all the details about inflation, but I can assure you we'll cover all the bases.

Among the many other things I don't understand is an insane ecological contest I recently discovered.

It seems that an antipollution organization called Environmental Action is inviting people to suggest "nonviolent" ways to harass companies whose environmental actions they dislike.

But some of the suggestions are obviously illegal actions of sabotage (they call it "ecotage") which could cause serious damage and perhaps injure or kill people. Amusing little tricks like dropping dynamite down a smokestack because a smokestack smokes.

And how is the word on this cute little contest being spread? By the press, of course. An isn't-that-great article by M. J. Wilson of the Newsweek Feature Service got a good play in the *Washington Post* and *Pittsburgh Press*, and other papers, no doubt.

I really can't understand how responsible newspapers or news services could encourage such outright criminal actions. The anti-business bias of some media businesses baffles me.



Among the pet peeves of the ecologists are billboards. The contest sponsors, for example, suggest that all of them be searched out and eliminated.

Well, from now on they can find a Billboard in *Nation's Business* every month. It's our new classified advertising section, appearing for the first time this month on page 76. It's intended as a service to both buyers and sellers.

Sure hope it isn't eliminated.

Jack Woodbridge



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## Letters

### Home Is Where the Heart Is

• I read with interest your article, "Presidential Possibles: Where They Stand" [November].

However, as usual, they all seem to say we need to curb inflation, increase employment and, with the exception of Rep. Wilbur D. Mills and Gov. George C. Wallace, none of them advocate cutting federal spending, particularly in foreign aid.

It seems to me that we must cut federal spending in the area of foreign aid and then if we took even a fraction of that amount and spent it at home, we could begin to bring inflation under control. If we directed our monies and federal spending in areas at home, such as building hospitals, schools, parks and dams, we could increase our employment force necessary to build such facilities. If teachers' salaries were subsidized, more persons would be attracted to the profession, thereby allowing us to provide better teachers to the poorer school districts.

The federal government continues to ask the American people to economize, but never does this seem to apply to the government itself.

I sincerely hope our government representatives in the Senate and House stand firm on their recent action of cutting foreign aid, and then utilize our tax monies at home. If we must have government spending, let's do it at home.

T. J. WAKELY

President  
T. J. Wakely Claims Service, Inc.  
San Antonio, Texas

#### Our error

• In your article, "The New Discovery of America" [October], you state "a list of well known 'American' firms with total, majority, or at least substantial, foreign ownership" must include Bumble Bee Seafoods, which you list as Japanese.

This is a misstatement of fact which we wish you to correct. Bumble Bee Seafoods is a division of Castle & Cooke, Inc., a Hawaii corporation, and Castle & Cooke is not foreign owned. Castle & Cooke first acquired an interest in the then Columbia

River Packers Assn. in 1956. On May 31, 1961, Columbia River Packers Assn. was merged with Castle & Cooke and the name changed to Bumble Bee Seafoods, Inc. On April 30, 1964, Bumble Bee Seafoods, Inc., was dissolved and has since that date been operating as a division of Castle & Cooke, Inc., under the name Bumble Bee Seafoods. To the best of my knowledge ownership of Bumble Bee or its predecessors has never been "total, majority or at least substantial (ly) foreign."

S. P. MCCURDY

Vice President and Secretary  
Castle & Cooke, Inc.  
Honolulu, Hawaii

#### Hospitals' health care plan

• Re your article, "The Coming Battle Over Health Care" [November], the program developed by the American Hospital Association is the only plan which recognizes that financial gimmickry is not the answer. While there is a financing mechanism included, the main feature calls for a restructuring of the system based on regional health care corporations to provide a full range of coordinated facilities and services.

Many of your readers are in charge of companies which provide health insurance which pays full charges for their employees. The underpayments from Medicare and Medicaid and some Blue Cross plans force the hospitals to charge \$10 to \$20 per day more than they would have to otherwise. Discounts unilaterally taken by these three agencies could run over \$2 billion per year. Many of your readers contribute generously to their hospitals. These contributions are vital, but I feel that these contributors should have some interest in the total financial health of the hospitals and exert political influence in their behalf.

FREDERICK C. SAGE

Administrator  
Briarton Community Hospital  
Brighton, Colo.

#### Where real leadership lies

• The interview with James M. Roche of General Motors [October] is enlightening. At times it does not fit one's expectation of "big business



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## Letters *continued*

leaders." One statement expressed my philosophy: "Our industry feels that the problems of the world are going to be solved best through a free exchange of goods, people and capital."

It does seem that the middle class carries the world as Atlas did, in regard to taxes, insurance and the like. Farmers are paid not to farm, some people are paid to not work and import taxes protect everyone but the little buyer.

It seems that the United States no longer leads the world materially. Could this be intended so that we might come to realize real leadership is needed on a spiritual level? In fighting materialism have we become materialistic?

AGNES CASTON WARE  
*Haynesville, La.*

### Coexisting with business

• Re "Battle for the Youth Vote" [October]. Perhaps it did not occur to the business people of the college towns of Bridgewater, Champaign-Urbana and East Lansing that perhaps the major reason they survive is because of the student community.

If the town fathers of these communities would trust the majority of students, who are not anarchists, they might be surprised by the advent of peaceful coexistence.

MARK C. DUFFY  
*Student  
New Orleans, La.*

### Social responsibility: A must

• Re "Sound Off Response" [November] on business social responsibilities.

As president of Dance Masters of Michigan, I work with the member dance teachers and know that teaching children fairness and responsibility to others is really as important as dancing. We find that children who participate in music and dancing are more adjusted to life. Too, if parents have enough interest in their children to give them the arts, they very seldom get into difficulty with the law.

As teachers we find many parents need help in understanding and cooperation with other parents. If they work with Girl Scouts, Boy Scouts or P-TA, it helps the community. But all in all, business and everybody should get off their derrieres and help this country.

EVA MCKEON  
*President  
Dance Masters of Michigan  
Detroit, Mich.*





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Room 3334, State House  
Indianapolis, Indiana 46204



# Indiana

...a lot more than you expected

## Letters *continued*

### Alaskan oil and the future

• Re the letters of Messrs. Lawrence Corrado and Stanley H. Oddson in your October issue:

Mr. Corrado's opinion is that we should "plan for a society in which incessant growth is not necessary." I happen to disagree if for no other reason than that it strikes me as a completely self-centered point of view: "Pull up the gangplank, I'm aboard."

However, he is entitled to his opinion, as I am to mine.

He is not entitled to mislead the reader as to facts. There is no intent by anyone to export Alaskan oil to Japan, but if there were, we have the word of the Secretary of the Interior that the government would put a stop to it.

Mr. Oddson makes two points. First, he says that no one knows whether the oil companies will be better housekeepers than the government was at Umiat. He is wrong. The government knows. It has written the regulations that will insure it.

Second, he says that our present oil supplies are adequate, so why take the oil at all? Granted that we might squeak through today without Persian Gulf (hardly a secure source at any time) or Alaskan oil, is he serious when he writes off the future? Most of us hope that America will never come to a complete grinding halt, which it will do if its energy dries up.

Both of your correspondents imply that to make a profit is to do a disservice to the nation. I'll bet that they both own automobiles whose fuel is gasoline. Neither the automobile nor the oil industries would be in existence were it not for the profits they earn. In fact, your correspondents' very lives depend upon industries' profits.

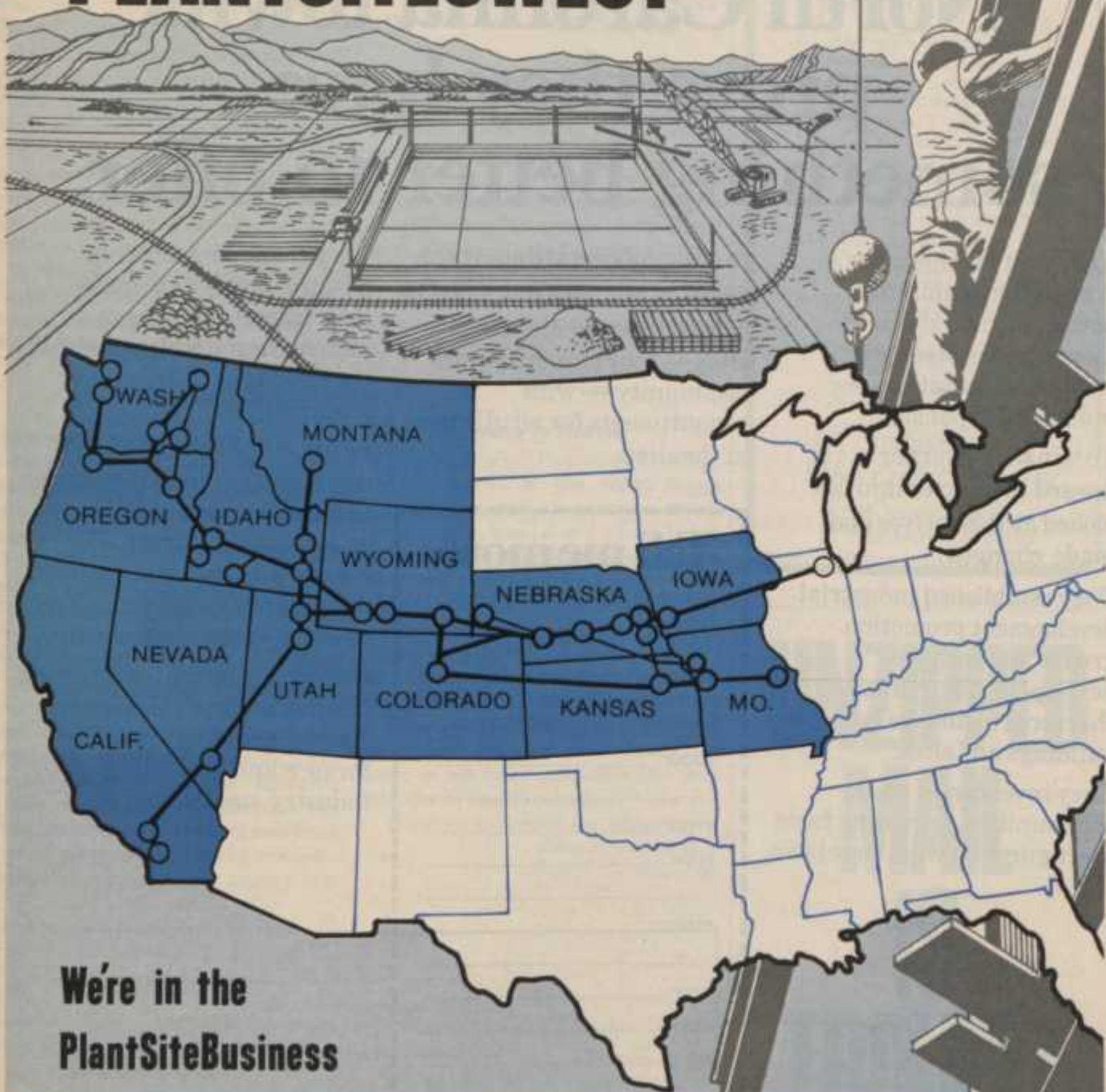
Finally, the energy crisis is real, not so-called. It is called real, not by the oil industry, but by the President of the United States, the Secretary of the Interior and the chairman of the Federal Power Commission, among others, not to mention the distributors of natural gas whose supply is insufficient to satisfy all of their present customers, let alone new ones.

STARK FOX

Executive Vice President  
Independent Oil and Gas Producers of California  
Los Angeles, Calif.



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Governor Robert W. Scott  
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### Too much stereotyping?

• I object to the kind of unprofessional stereotypes that are indicated in the "Panorama of the nation's business" item, "Wiping Out the 'Sermon Germ'" [August].

As if the headline was not bad enough, a sentence soon followed in which it was asserted that "... the communicators shun preaching, or abstract theory." Since when were those two to be equated? Frankly, some of us come under fire and pressure because we are *not* abstract, but prefer to get down to the gut issues.

It is high time that such slurs no longer are allowed to appear in print, making some group into a kind of second class profession or occupation.

REV. WALTER NELSON  
The United Methodist Church  
Beverly, N. Dak.

### More about lightning

• Re your article about lightning [October] which states that the cost of a typical lightning stroke, if translated into electric company power, would be about \$7. This is based on an estimate that such a stroke delivers about 350 kilowatts of power. Seven dollars would buy typically 350 kilowatt hours of energy.

A stroke of lightning lasting for one hour is a phenomenon which, to the best of my knowledge, this earth has never experienced and probably never wants to experience. A lightning stroke, rather than enduring for one hour, endures but for the tiniest fraction of a second. Thus, the commercial value of the electric energy in a

single stroke of lightning, if it could be harnessed and placed on your electric bill, would be but a small, small fraction of one cent.

WARREN T. JESSUP  
Jessup & Beecher  
Sherman Oaks, Calif.

• I did learn some very interesting facts from Dr. Martin A. Uman on the awesome powers of lightning. However, from my very limited knowledge of lightning, I am of the understanding that there are some tremendous contributions to nature with every flash of lightning that occurs.

Most people reading this article would only benefit from one point of view—lightning is entirely a menace to the entire world.

ANDREW H. DUHAIME  
Milford, Conn.

### Says concrete is better

• Your article in "Executive Trends," "What to do if the plant burns down" [October], is just so much propaganda. Steel doesn't burn but it sure gets the "saggy-baggies" in the heat and is rated accordingly by the independent rating authorities.

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# Executive Trends

BY JOHN COSTELLO  
Associate Editor

- The Christmas spirit? • Making bucks abroad
- Robot warehouses • Talent in data banks

## 'Tis the season to be jolly

Sure—but not on company time.

That's the advice of one executive placement expert.

"In December, be on the ball—and all business," says Lon D. Barton, president, Cadillac Associates, Inc., Chicago.

"This is a risky month for executives," he adds. "It's management's last chance to trim operating budgets—and bring costs into line with earlier forecasts."

"Scrooge was a softie compared to the executive officer wielding his ax on the payroll. And you can't blame him."

"Management has seldom been

under more pressure. It must show growth and come up with dividends. Under pressure, something's got to give.

"So the word is: Cut costs and get more performance out of a lean team."

Here's Mr. Barton's advice to aspiring executives:

- Put your best foot forward now. If the year's a marathon test of your skills and ability, December's the last lap. It's doubly important to finish strong.

- Make sure your deeds are visible. Don't brag—that rubs most people the wrong way. But be sure your light isn't under a bushel—or it may go out.

"It's no time to get holiday-minded—and let down," Mr. Barton sums up.

"Don't forget that year-end review of executive performance."

"Unless, of course, you're so high in the corporate hierarchy—and in so solid—that you've got a lock on it."

## Leave it to the robots?

Dean Food Co. has built a warehouse at Belvidere, Ill.

It is 130 feet long, 60 feet wide and 42 feet high.

If it were a conventional warehouse, the company figures, it would have taken up twice as much space—and been only half as high.

How come it's smaller?

Because it is automated.

One film-maker had a like problem. As sales grew, manufacturing grabbed more space. Warehousing was pushed out, sometimes to distant locations. Trucking costs were high.

So Clark Equipment Co. designed an automated system that provides storage close to the plant.

"Land alone means a tidy saving" when warehousing is automated, says E. T. Holland, president, Control Flow Systems, Inc. His West Willow, Pa., firm designed Dean Food's building. "The average automated warehouse going up today occupies one third to half as much land as a conventional warehouse."

"And good industrial land runs from \$25,000 to \$50,000 an acre."

Robot warehouses aren't for everyone, Control Flow Systems hastens to add.

But if these conditions are true, it says, automation may be for you.

- Land costs are high.
- Your product must be rotated quickly.
- The production flow is relatively stable.
- You have lots of damage.
- Inventory control is inadequate.
- Labor is expensive.

Automation involves in-house pal-



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### Jack Daniel's Old Wood Clock

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The marks on these plaques were used by hobos and drifters in the early 1900's as they traipsed around the country looking for food and lodging. A man would chalk these marks on curbs, door facings or mailboxes to guide the next man who knew the code toward a free meal and bed. The meaning of each sign is explained on the back of the plaque. A set of four for your wall is \$5. Please add \$1.00 for postage and handling.

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## Manufacturer tests Turn-Towls in one plant - then installs them in all!



A Philadelphia manufacturer tested Mosinee Turn-Towls in one of his plants against a well-known folded service in his others. After one year, he switched all plants over to Turn-Towls! The reason: Turn-Towls' two-way button-and-crank control dispenses one instant-absorbency towel at a time, reducing consumption. And polished aluminum cabinets are loaned free for use with Turn-Towls. Write today for free towel samples.



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## Executive Trends *continued*

lets, with transfer to slip sheets, pool pallets, one-way pallets or direct to the transport equipment. Also, a custom-designed computer system.

"But you don't have to switch completely to automation," Mr. Holland says.

"In most firms, 20 per cent of the products account for 80 per cent of volume.

"You may be able to automate only the fast movers."

### How to make a patriotic buck?

Answer: By selling abroad.

This year, the U. S. A. is expected to run its first trade deficit in a century.

Every sale overseas helps get us out of the red. So selling overseas is patriotic, as well as profitable.

Pan American World Airways has a booklet that's useful to would-be exporters. It lists international trade fairs all over the world, and the kind of products to be exhibited at them.

Next month, for example, the Netherlands is hosting a farm machinery exhibition in Amsterdam; West Germany is holding its Third International Boat Show at Dusseldorf; the Fifth Tokyo Leather Goods Fair opens in Japan's capital; the National Fair of Leather Articles and Luggage is on in Madrid; and the International Boat, Camping and Caravan Show gets under way in Genoa, Italy.

Each represents an opportunity to export.

Of course, it's a little late to be aiming at these trade shows. But Pan Am's 1972 edition of "International Trade Fairs" came out last month.

"It's time to be looking to next year," a Pan Am spokesman points out.

### A clearinghouse for skills

Need an accountant, an art director, a copy writer or a statistician?

If so, National Personnel Associates may be able to help you.

More than 100 corporations have turned to it for help.

They've joined its national computerized job bank.

"We have more than 2,500 openings listed," says Jay K. Jarrell, NPA president.

"They're all for skilled people in the \$10,000 bracket and up.

"A Cleveland bank wants a field loan officer for a \$20,000-a-year position. A Tulsa pipeline company sent an SOS for a port captain.

"The openings go into a data bank that all 150 NPA employment agencies use.

"With the computer, each one can search it in a matter of seconds to match the job with job-seekers."

Mr. Jarrell adds that "openings may be a little scarcer than they once were, and for that reason, companies are even pickier about getting exactly the right fit."

NPA, of course, is not the only organization that uses a computerized job bank.

The federal government, for example, has its own job banks. So far, however, they serve the city where they're installed—and focus on blue or white collar jobs—not executives or highly skilled specialists.

"We hope to do what Washington's doing—but for the uncommon man," says Mr. Jarrell.

### An old favorite makes a comeback

He smoked hashish, swiped a turkey and got busted 25 times.

Sound like an unwashed hippie or a bomb-throwing campus radical?

Well, he isn't. He's Frank Merriwell—the all-American boy.

Readers who vividly remember the name may forget some of the scrapes he was in.

Frank did have these run-ins with the law, although he was always innocent.

While it's true he liberated a turkey from a New Haven farm, he left a five-spot to pay for it.

The hashish gambol, of course, was a frame-up. A villain forced him to smoke the stuff.

Frank's fans—among them Vice President Spiro Agnew—have a chance to renew their acquaintance with him.

He has been resurrected from literature's dusty tomb and is soon re-



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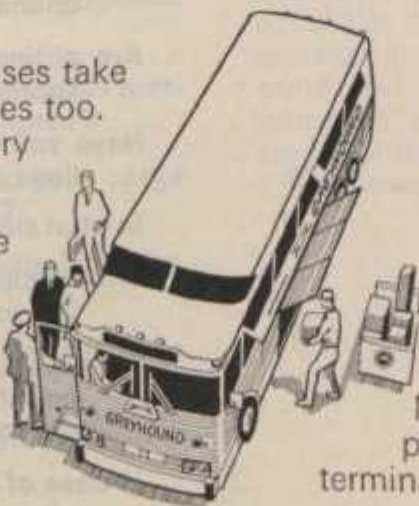
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# If you think you know all the wait till you hear some of the

Suppose you're making domestic shipments. Do you know to what extent airlines, railroads and trucking firms are actually exempt from liability for loss or damage?

How does the overseas air, truck or rail carrier's level of responsibility differ from the domestic?

When you're making an ordinary domestic shipment by air, do you know how many carriers actually handle your merchandise?

When a trucker picks up an air shipment, who hired him?

Does an airline's bill of lading include the trucker who picks up your merchandise and the trucker who delivers it?

Should you be concerned about the financial responsibility of "contract" truckers?

What are the exceptions in the bills of lading used by the carriers handling your merchandise?

Are airlines, railroads and trucking firms responsible for "concealed" damage?

Have you actually read the tariffs for the airlines and truckers you use?

In what situations are water carriers *not* liable?

Will making all shipments FOB your premises get you off the hook?

What if you ship on a different day...or in a different quantity...than the customer's order called for?

In case of a loss, do you always know for sure who should file the claim?

Or against whom?

Do you know about the various time periods for filing a claim?



# answers about cargo insurance, questions.

**What is a "released" bill of lading? Could it save you money? Or would it cause you problems?**

**If you're insured by a cargo policy, does it apply from "warehouse to warehouse"?**

**Does your insurance apply while your goods are in a bonded warehouse, prior to payment of customs duty?**

**Since "implied warranties" are as binding on the shipper as on the carrier, do you know what they are in your case?**

**Do you need a "Fraudulent Delivery" clause in your policy?**

**If you're insured for full value at the amount of your invoices, are prepaid freight charges included?**

**Does your policy cover goods refused by the consignee? If so, are you protected while the goods are being returned or disposed of?**

**Do you know for sure when title to your merchandise passes to the consignee?**

**Do you know when deductibles in your cargo insurance are advantageous?**

**Is the amount of your coverage reduced by the amount of any loss?**

**Does your policy clearly cover all incoming as well as outgoing shipments?**

**Should your policy include a "brand and label" clause?**

**Finally, assuming you have the most complete coverage you could buy, do you know whether you're paying for a lot of overlapping, and therefore unnecessary and expensive coverage?**

If you're like most insurance buyers, you probably know some of the answers. But not all.

Because insuring a transportation risk can be enormously complex. It can involve all kinds of merchandise, handled by all kinds of carriers, all over the world. As of now, even including mainland China.

The carriers operate under widely varying rules which can be hard to understand, even to find.

So many of the questions that arise can hardly be answered at all until after a loss or damage is sustained.

Obviously, every shipper should carry cargo insurance. It should cover all contingencies. It should be tailored to your specific needs. And tailored to save as much premium cost as possible.

If you're not insured or you have any doubts as to your present coverage, there's something you can and should do about it.

Get in touch with your nearest Continental Insurance agent, and arrange a meeting. Maybe he won't know all the answers, either. But he'll get them. Our MOAC division (Marine Office-Appleton & Cox) is the leading U.S. marine insurer. It operates from coast to coast, and all over the world. Our team of marine underwriters is as thoroughly experienced and knowledgeable as any you'll find.

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## Executive Trends *continued*

appearing—in paperback and hardback. A new firm which calls itself Smith Street Publications, Inc., says it will revive all 245 volumes of the Frank Merriwell saga. The first, "Frank Merriwell's Schooldays," is out now.

"Today's times are like the '20s when Frank was in his heyday," says Publisher Jack Rudman.

But executives who grew up on the adventures of this dime-novel hero will find inflation has taken its toll. Frank Merriwell, even in paperback, is now 95 cents a copy.

### It's goodbye to hello's for a while

Exuding the Yuletide spirit pays for a company.

At least, one corporate giant thinks so.

Every Dec. 19, Safeway Stores Inc., switches to a holiday theme.

When you call its offices, the switchboard operators answer: "Merry Christmas, Safeway."

On Dec. 26, they go back to their customary ways of saying hello.

It has been a great image-builder and friend-maker, the company finds.

### When are temporaries not temporaries?

"When they're repeaters," says one expert.

"The four-day workweek," adds Elmer H. Maack, chief operating officer of a New York-based temporary help firm, "is creating a demand for them."

"That's one of the reasons why we offer a repeat performer plan."

Under it, you can ask to have the same temporary worker back, time after time.

"Usually," Mr. Maack says, "he's more efficient the second time around. He knows the job, and doesn't have to be taught all over again."

"Of course, to have him on tap, we have to have a low turnover."

One good source is the older worker, Mr. Maack's company, Mature Temps, Inc., finds.

"We go out and recruit 'em," he says. "These people often have re-

tired from jobs that require high skills and intelligence. And they have lots of experience in almost every kind of office work."

"For them, the chance to be involved and part of a team is as important as the extra income."

But it's work attitude, not age, that measures maturity, the firm feels. That means: Low absenteeism, pride in a job well done, punctuality and a businesslike stance.

"And you'll find those traits in many young and middle-aged workers, too, if you look for them," Mr. Maack adds.

### Is a sheepskin really needed?

Not as often as you'd think, one expert says.

"In fact," says Computer Learning and Systems Corp., "too many kids are aiming for that bachelor's degree."

"Often, it's a status symbol—not a hunting license for a good job."

Between now and 1975, the Chevy Chase, Md., company notes, 3.5 million new jobs will open up in the U. S. A.

"But only 240 kinds," says John A. Pagenstecher, director of development, "will account for two thirds of all openings."

"And most of these critical skills require vocational training, not a college degree."

"For example, we'll need 13,600 computer programmers and 11,800 systems analysts annually."

The public schools aren't filling the need, he says.

But private schools have been more responsive.

But here, too, there are hazards.

"Many schools aren't accredited," Mr. Pagenstecher notes. "Out of some 700 computer schools, only 60 meet that test."

Here's how executives can encourage vocational skills, he says.

"If the schools aren't providing the skills you want, tell 'em. Nothing would please them better."

"Be sure you don't discriminate against the vocational school graduate when it's time to promote."

"If you do, the word gets around."



# PANORAMA of the nation's business

By VERNON LOUVIERE  
Associate Editor

## The Fastest Scissors in the East?

Thomas E. Drumm Jr. has the reputation of being the federal official most sought-after by businessmen.

He is the government's Ombudsman for Business and his mission is to slash bureaucratic red tape for businessmen who ask his help.

Since his appointment last spring by Secretary of Commerce Maurice H. Stans, Mr. Drumm has handled some 1,400 written requests for assistance and a weekly average of 170 phone appeals. No problem is too big or too small.

Operating with a relatively small staff, by usual government standards, Mr. Drumm answers SOS calls ranging over a wide area—from how to get on bidders' lists for government contracts to questions involving trade with the Soviet bloc or truth in advertising and lending.

One businessman, anxious to open markets abroad for his products, found himself thwarted at every turn by bureaucratic interpretation of a particular federal regulation. The om-



*Thomas E. Drumm Jr. cuts red tape for businessmen.*

budsman arranged a meeting between the man's firm and the agency in question. The regulation was changed.

As a result, Mr. Drumm reports, there is "a promise of substantial increase in shipments of U. S. goods to rich foreign markets, which will be measured in billions of dollars."

Not only businessmen have come to the ombudsman. There have been requests from trade associations, lobbyists, port authorities, members of Congress, engineers and many others.

A prominent scientist prepared a study on a knotty scientific problem for the White House, sent it to the President, and waited in vain for an answer. Discouraged, he turned to the ombudsman. Three days later the scientist received a letter of apology, and was invited to the White House for lunch. His work was praised lavishly.

Mr. Drumm has interceded in behalf of businessmen in every state except one.

Also, requests for help have come from businessmen, as well as governments, in 12 foreign countries. At least two other nations now want to appoint business ombudsmen of their own. A number of state and local governments also may follow suit.

Many accolades have gone to Mr. Drumm, a career Commerce Department employee. One businessman believes "he is the fastest man with scissors in Washington when it comes to slashing red tape."

## Where Zero Is the Highest Score

The 400 men and women who turn out 1.5 billion tablets, capsules and other medical items annually at the Geigy Pharmaceuticals plant in Suffern, N. Y., have accepted the motto, "Do it right the first time."

And it has paid off. The Defense Department has awarded the company its "Zero Defects" award for "continued excellent performance in error prevention." This is the first pharmaceutical plant in New York State, and only the second in the country, to be so honored.

Says plant manager George Busch: "The quality of our products is only as good as the performance of each of

us. Our business is the preservation of human life and health; this means that any mistake can have far-reaching consequences that affect not just our company or our jobs, but our homes and families."

When a physician uses the initials "Q. S." (from the Latin *quantum satis*) on a drug prescription, he is directing the pharmacist to use the correct amount when preparing the prescription. Geigy has translated the initials to mean "Quality Seal," the theme of its zero defects drive.

"The zero defects concept is aimed at getting every employee to *think*—to think positively about each and every task," Mr. Busch says. "The principles behind the concept are not new; they are the same basic ideas behind most successful management

or leadership: communications, understanding and critique. But in zero defects, these principles are applied to the most significant roadblock for industrial excellence today: the relationship between management and the individual employee."

The company put out a booklet for all its employees titled, "The Indispensable Ingredient," in which Mr. Busch noted:

"You are the indispensable ingredient in the performance of your job."

Speaking of the quality seal program, he said management feels "it's going to be the individual who tells us when it's successful—when he can walk out of the plant and say, 'I did a good job today.'"

*continued on next page*



## "Live" Training in Nuclear Power

Flight instructors have long used simulators—training devices on the ground that perform exactly like planes in the air—to turn out pilots or train them for more complicated flying.

Babcock & Wilcox Co., which manufactures nuclear power generation equipment, is using the same technique to instruct nuclear power plant operators. It has put in a \$3 million full-size simulator at its Lynchburg, Va., nuclear training center.

"It's not feasible to shut down a power plant these days to train new operators," says James Deddens, manager of field service nuclear training for the company. "The nation can't afford a reduction in generating capacity."

Twenty nuclear plants now are producing electricity and nearly a hundred more are under construction or on the drawing boards.

An operator requires almost two years' training and must meet rigid licensing requirements set by the



*The Babcock & Wilcox center in Lynchburg, Va., prepares hundreds of future operators of nuclear power stations for rigid government tests.*

Atomic Energy Commission. To shut down the average nuclear power plant would cost about \$80,000 a day—a high price tag for an operator to learn how to stop and start up a reactor. The cost per trainee of the entire simulator program, including classroom and other instruction, is far lower, Babcock & Wilcox points out.

With the simulator, if the trainee makes an error, he sees the end result. The situation can be created again and again, until he masters the proper technique.

Approximately 150 different nuclear plant situations can be thrown at the operator by the computer, which sets up "live" situations in the simulator.

Among other things, the simulator figures out precisely how much power would be generated if the trainee were controlling an actual plant. A "report card" pops out every 15 seconds, grading him on pressure and power output.

It also shows how well he has coped with malfunctions programmed into the lessons.

"The simulator is really like the real thing," explains B&W's Jim Deddens. "Most trainees start out thinking it won't be. But the first time a warning light shows that a pump in the system has shut off, you can see a trainee react instinctively. Even the turbine whine is there."

## At Xerox: Giving but Not Forcing

When Xerox Corp. announced a few months ago it would give employees leave-with-pay for social service, a flood of requests came in from organizations anxious to tap all this free talent.

They asked that employees be assigned to them. But Xerox turned them down. Under the leave program the initiative has to come from the individual employee, not from the company or from the outside.

The idea originated with Archie R. McCardell, one of three Xerox executive vice presidents, who had been approached many times by employees anxious to contribute their time and talent to social welfare projects. He heard comments such as these:

"I've been teaching drop-outs in a store-front school, but at night. You know, if I just didn't have to earn a living. . . ."

"All my life I've wanted to go back and work with my people. If I could just figure out. . . ."

"You can't create a clinic from nothing in your spare time. If I only had a year, even six months. . . ."

Xerox President C. Peter McCollough decided to help such employees turn dreams into reality. Those selected are being given leave at full pay to pursue self-selected projects.

What if a supervisor feels he can't spare an employee who has been approved for leave? He must take his case to Mr. McCollough, himself.

And, a Xerox spokesman says, Mr. McCollough is "tough to convince."

The first employees whom Xerox will share with society under the program include 19 given a full year's leave and two who will be off for six months each.

Their projects range from work with crippled children to helping ex-convicts. They were chosen from among nearly 200 applicants.

In announcing the program, Mr. McCollough called it a "logical extension of our corporate commitment to be involved in the problems of society."

Often, he pointed out, while financial support may help, the critical lack is people of talent, dedication and competence.

"People like that are a treasured resource; they are invaluable to Xerox for the same reasons they are so urgently needed in areas of social concern," Mr. McCollough said.



# The calculator name game.

<u>Brand Name</u>	<u>Manufacturer</u>
Burroughs	Sharp, Japan
Dictaphone	Sanyo, Japan
Friden	Hitachi, Japan
<b>Marchant</b>	<b>Marchant, U.S.A.</b>
Monroe	Canon, Japan
NCR	Nippon, Japan
Remington	Casio, Japan

Of the seven electronic calculator leaders shown above, three brands import all their machines from Japan. Three more brands import several models from Japan.

Right now, of these seven, only Marchant is doing all its calculator manufacturing entirely in the United States.

And a Marchant is sold to you by the same people who made the machine.

That's why when you call Marchant for service we won't give you another name to call.

Marchant has a network of service offices from coast to coast. Each is staffed by factory-trained men who know our calculators. And any replacement parts you may need are available here, in the U.S.A.

Do you want your next calculator to have American service and reliability, backed by 60 years of experience? Then look us up in the Yellow Pages.

Marchant's our name. And the name behind our name.



**We make it. We sell it.  
We service it.**



There are  
going to  
be fewer  
Americans  
than you  
expected  
in the years  
ahead.

And that will make a  
difference to you.

During the past ten years this nation experienced the sharpest decline in child population since records have been kept. This dramatic and unexpected drop in births raises startling, long-range challenges for business, government, education, social services, the environment, human rights... for you.

**The Baby Bust**, the population report that has made front-page headlines, is available now to let you be fully informed—to help you answer questions raised by the possibility of zero population... or greatly reduced growth... in our lifetime.

Mail the coupon for your copy of **The Baby Bust**, authored by George Grier, Senior Associate, Washington Center for Metropolitan Studies.\*

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\*The Washington Center for Metropolitan Studies is a nonprofit, public service institution engaged in research and education in urban and metropolitan affairs.

## SBA Report

# Lease Guarantees Help Small Firms Obtain Prime Locations

A move across town helped Best Photo Industries, Inc., a small Kentucky chemical firm, more than double its volume in two years.

The move, from an older industrial area to a modern industrial park specializing in small, clean industry, took place with the aid of a lease guarantee from the U. S. Small Business Administration.

Currently, 333 SBA lease guarantees, involving rents which will total \$122 million over the years, are in effect.

About two thirds are reinsurance guarantees made in cooperation with private insurance companies.

In the case of Best Photo Industries, SBA guaranteed the company's lease to Blue Grass Industrial Park, Louisville, for 15 years and for a maximum of \$136,800 or \$760 per month.

The guarantee enabled the company to move into a building which is near public transportation and which was laid out to maximize operating efficiency.

Best Photo has kept its profits in line with its increased volume.

### Doors are closed

Such SBA activity strikes directly at one critical problem that small business faces—obtaining suitable locations so it can maintain its competitive position.

The small firm often is excluded from space in prime business sites—particularly new or renovated locations that result from renewal or other community development projects—because builders lean toward larger,

well-established corporations that can assume long-term leases.

In effect, an SBA lease guarantee is an insurance policy to a small businessman, assuring the landlord that rent payments will be made.

Any small business eligible for an SBA loan is also eligible for lease guarantee insurance.

A guarantee may be issued for a maximum of \$2.5 million or not more than \$15,000 per month, whichever is less.

If SBA issues the guarantee directly, the period to be covered must be from 10 to 20 years. When a private insurance company is involved, the period may cover from five to 20 years.

### In advance

The lessee pays SBA a premium based on a percentage of the total amount of rent to be paid during the time covered by the guarantee. Premiums are payable in a lump sum in advance, and are not refundable.

In addition, the lessee must pay three months' rent in advance.

The rent advance is held in escrow, and if there is no default in regular rent payments, it will be returned to the small business together with accrued interest.

An alternative three-month deductible period may be agreed to by the landlord.

Detailed information about lease guarantee insurance and application forms for both tenant and landlord are available at any of SBA's 74 field offices.



## Sound Off to the Editor

### Licensing for Service Businesses?

Consumers don't remember all of the times they have been dealt with competently and honestly by service-type businesses. Such treatment is too frequent to be remarkable.

But when they have complaints about servicing on an auto or television set, or about the way a rug was cleaned or a house painted, consumers do remember. And often they continue to complain.

Complaining of this type—one cause of the consumerism hubbub these days—underlies a movement to require standards of performance, through licensing, for businesses in service fields.

California and Florida now require electronics dealers to be licensed.

Texas recently started licensing auto dealers.

Many people, however, say licensing isn't the answer—at least not for all service businesses. They say it certainly hasn't eliminated complaints involving members of crafts and professions which most states already require to be licensed or certified—such as plumbers, electricians, lawyers, accountants, doctors and dentists.

Licensing, they argue, would only add another layer of unneeded government bureaucracy. Competition in the marketplace, they insist, is the best eliminator of the unethical and incompetent.

They say requirements for licensing

might be too stringent and force a lot of small businesses to go under. Also, they say, the new status of employees under licensing requirements could result in skyrocketing wages—and higher prices for the consumer.

Those who favor licensing say it would give the consumer more protection, and weed out incompetents and others who mar the business image. Reputable enterprises would benefit immeasurably, they say.

Strict licensing, they argue, would result in better-trained technicians—and thus more reliable and fair-priced service, and renewed confidence on the part of the consumer.

What do you think? Should all service-type businesses be licensed?

Jack Wooldridge, Editor  
Nation's Business  
1615 H Street N.W.  
Washington, D.C. 20006

Should all service-type businesses be licensed?

☐ Yes ☐ No

Comments:.....

.....

.....

.....

.....

.....

Name and title.....

Company.....

City.....



# Sound Off Response

## No Compulsion Wanted

Bar political use of compulsory union dues? That "Sound Off to the Editor" question in last month's *NATION'S BUSINESS* produced a blizzard of Yes answers. The virtual handful of No replies was almost invisible.

And a substantial number of those replying in the affirmative went beyond the specific question to urge that compulsory union dues and compulsory unionism also be prohibited.

The few who saw nothing wrong in using enforced union dues for political purposes not necessarily sanctioned by the dues-payer equated the practice with contributions individual businessmen make to political campaigns.

In posing the question, *NATION'S BUSINESS* pointed out that nearly 16 million U.S. workers are required by union shop or agency agreements to pay dues or fees to labor organizations as a condition of employment.

While federal law prohibits both labor organizations and corporations from making contributions involving federal elections, various loopholes have enabled unions to play a major financial role in backing friendly candidates.

And the law doesn't apply at all at the state and local level.

Critics of the system have pointed out that the compulsory nature of the dues that wind up in campaign chests often puts the worker in a position of supporting a candidate he votes against at election time.

W. C. Kanke, treasurer of the La-Z-Boy Chair Co., Monroe, Mich., wrote on that aspect of union operations: "Would I allow my contributions to my church or to the United Fund to be used to support a candidate I intend to vote against? Absolutely not. How, then, can we justify using compulsory union dues in politics?"

J. David Feild, vice president of Dalton Sheet Metal Co., Inc., Dalton, Ga., put the issue in an interesting context in view of the refusal of Congress thus far to crack down on political use of union dues.

What position would Congressmen take, Mr. Feild asked, if their own office workers were organized and

paying dues that wound up supporting those Congressmen's opponents?

"I feel that any and all efforts to restrict and weaken the position of organized labor in politics would be of benefit to both union and nonunion individuals and the country," he added.

A union member also was among those opposing involuntary political contributions. I. G. Burton of Burt Electric Co., Brainerd, Minn., wrote:

"I have belonged to a union and paid dues since 1951 and I do not want part of this money to support candidates not of my choosing. After all, it is my money and I should say who it shall support."

Harriet S. Fall'ck, president, National Office Equipment, Inc., Seattle, Wash., held that political use of union dues has enabled labor to gain "entirely too much power."

Wendell Stepp, vice president, Akwell Industries, Inc., Dothan, Ala., wrote that he personally knows "many members of the union in our plant who definitely do not want their money used to elect people selected by the union officials."

Lionel L. Campbell Jr., vice president, Bruce Campbell & Son Construction Co. Inc., Temple, Texas, had a sweeping solution: "I think compulsory union dues should be kept out of everything. In fact, I do not think there should be any such animal!"

From Vidalia, Ga., J. A. Crockett wrote: "Union officials have no right to assess, collect and spend COM-PULSORY union fees or dues for the benefit of any political candidate. Union members are thoroughly capable of choosing their own candidates and applying their own resources . . . to elect them." Mr. Crockett is financial vice president, Piggly Wiggly Southern, Inc.

A ban on political use of the dues, said Robert T. Rolfs, executive vice president, Amity Leather Products Co., West Bend, Wisc., would "restore balance and equity to our political system and restore the rights of individuals who contribute dues monies but have no voice in where they are contributed."

On the other side of the argument,

Stephen Press, executive director, New York Institute for Consumer Education and Development, Inc., New York, N.Y., held that "time and again we hear that corporate representatives donate corporate funds to candidates, obviously without shareholder permission."

John Werres, executive vice president, R. P. Andrews Paper Co., Washington, D. C., added to his ballot a letter in which he appraised the labor scene generally:

"Compulsory union dues should positively be kept out of politics and, I might add, out of the hands of politicians."

"If there is one thing that is eventually going to wreck business, finance and the free enterprise system that we have enjoyed in this great country, it is the uncontrolled power and authority of the union hierarchy."

"The millions of dollars received by the unions in dues from members [are] being used to buy legislation favorable to unions and damning to the business community. . . ."

A sampling of other Yes replies, which outnumbered the Nos by a margin of nearly 50 to 1:

George F. Linne, executive vice president, Killark Electric Manufacturing Co., St. Louis, Mo.: "Compulsory union dues for the selection of political candidates is unfair to the general membership of labor unions, as it does not give the individual his right of free choice or free speech, but rather is dictatorial on the part of greedy labor bosses."

J. R. Chapman, senior vice president, Stone & Webster Engineering Corp., Boston, Mass.: "Use of union dues for politics represents an intrusion on the rights of the individual. Congress must protect individual rights by law if necessary."

Guthrie B. Stone, board chairman, Stone Conveyor, Inc., Honeoye, N. Y.: "The despicable practice of compulsory contributions extracted from employees for candidates selected by union leaders serves to describe the unprotected plight of today's union dominated working man, who has sold some dear basic freedoms for an extra buck."



Victor H. Weidmann, owner of Weidmann Engineering, Hobart, Ind.: "It is hard for me to figure out who is most responsible for our present inflation and care-not attitude—union bosses, bureaucrats or liberal politicians—but together they make some gang."

Leslie M. Levy, chairman, The Clifton Shirt Co., Loveland, Ohio: "The unions, and for that matter every other independent organization, should be kept 100 per cent free of politics. Samuel Gompers, the first and by all standards the greatest president the American Federation of Labor ever had, insisted that the unions avoid politics. It was on this principle that the unions gained their original strength."

Ronald A. Woerner, executive director, Florida Gulf Coast Chapter Associated Builders and Contractors, Inc., Tampa, Fla.: "It is grossly unfair to any working man to collect compulsory dues from him and then finance a candidate that man had no say about."

Clinton V. Johnson, president, The Johnson Gage Co., Bloomfield, Conn.: "Bar political use of compulsory union dues 'and compulsory unionism as well. . . . There must be realistic and enforceable laws, not organized gangs, to prevail if real and just freedom for us all, individuals and corporations, is to survive."

Betty C. Hust, treasurer, Hartley & Hust, Inc., Las Cruces, N. Mex.: "In 25 years of association with construction workers, I have yet to meet a union member who ever made a 'voluntary' contribution to a union. They were and are union members only because of necessity."

Another woman, Mrs. Walter Singleton of the Unico Engineering, Inc., Green Bay, Wisc., wrote in a similar vein: "I have been a volunteer worker in politics and am aware of the large measure of power such organizations as COPE can place anywhere in the country. . . . I have also had a working son 'forced' to donate money to this cause in order to work. We find it disturbing and not in the best interests of continued political freedom."



WE NEVER HAVE TO GO TOO FAR to get our Christmas tree. The woods around Jack Daniel's Hollow are filled with them. We hope that you won't have to go to too much trouble getting ready for the holidays either. So you can sit back and truly enjoy this happiest of all seasons.



CHARCOAL  
MELLOWED



DROP



BY DROP

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# The Big Issues Congress Faces in '72

Economic and social issues of top importance to business will be fought over in the 1972 session of Congress, opening next month.

The fighting will take place in the highly charged atmosphere of election year politics. No less than seven members of Congress are announced or potential contenders for the Democratic Presidential nomination. And 34 Senate seats as well as 435 House seats will be at stake at the polls next November.

Among the major issues: the future of the President's wage-price control authority and of steps to stimulate the economy, pollution, Social Security benefits and taxes, welfare reform, government control over private pensions, and the big question of government spending.

One veteran observer points out that practically every issue offers a fertile field for candidates to "outbid the other guy" in making promises to win voter support.

Congressional leaders will aim for adjournment by midsummer to allow members to attend the Presidential nominating conventions and launch their own re-election campaigns.

The leadership generally frowns on post-convention sessions of Congress, complaining that political partisanship and absenteeism run too high.

President Nixon's recommendations to Congress will include a highly innovative plan for putting American industry's technological experience and expertise to work on solving pressing domestic problems and checking the nation's declining position in world trade.

So far, only the plan's general outlines are known.

Industries might be offered tax relief, loans, grants or subsidies for researching and developing ways to provide low-income housing, improve health care or clean the environment.

Similar inducements might be offered for use of industrial R&D capacity to improve the U. S. export position. Most experts believe high-technology products offer the best hope in that area.

Here is a capsule report on issues that will be making the news in Congress in 1972:

**The Economy.** The extent of Phase

ILLUSTRATION: JOHN HEINLY



II's success will determine the extent to which wage-price controls are eased or more stringent controls are applied. The view generally held in Washington is that the President would choose tighter controls and stronger economic stimulants rather than let his New Economic Policy collapse into a new round of inflation and/or recession.

Democrats on Capitol Hill can be expected to quickly point up any problems. If the economy and employment don't pick up sharply, they would press for such steps as providing more federally financed public service jobs.

In any event, differences between the White House and many members of Congress over economic policy are considered certain to deepen during the new year.

**Health Insurance.** Some form of health insurance law is considered a certainty in 1972. The crucial point is the extent to which the federal government should become involved. One bill would, in effect, give the country a nationalized health service, eliminating private insurance plans and adding billions to employer and government costs. Other measures would preserve private insurance plans and provide for direct federal spending only to help low-income families obtain the insurance.

The health care issue is expected to produce some of the most politically oriented debate of the year, with many office-seekers vying to see who can offer the most.

**Defense Spending.** Despite the rapid winding down of the Viet Nam War (no longer much of a political issue in Congress), the President's senior advisers on military affairs are urging him to request that the defense budget, over \$70 billion in the current fiscal year, be raised to about \$80 billion.

A rapid expansion of the Soviet Union's navy and arsenal of nuclear missiles, and ultramodern additions to its air force, have caused intense concern among leaders of the U. S. military establishment. They say a serious catch-up effort is needed if this country is to deal with world problems from a position of strength.

Recommendations for higher defense spending are sure to run into stiff opposition from members of Congress who have staked out an antimilitary position.

**Pollution.** The Senate has passed and the House will consider early in the year a sweeping bill to combat water pollution. [See editorial on page 80.] Its goal is to end the discharge of all pollutants into the nation's waters by 1985.

The Nixon Administration has estimated it would cost business a staggering \$316 billion to meet the bill's recycling requirements.

While the 1985 date has received wide attention, it is far from firm.

A "mid-course correction" provision of the bill requires that, by 1975, Congress have on hand enough data to evaluate the target date. It could then be changed. Congress at that time could also determine what exceptions should be made to the bill's timetable, and whether costs in some instances outweigh benefits.

**Social Security.** Congress will take a closer look at how the system should be financed. Members have become increasingly aware that political gain derived from raising benefits is being offset by political loss due to increases in taxes to finance those boosts.

One of the most controversial proposals would impose much higher Social Security taxes on middle and upper income levels and reduce them at lower levels. Another, said to be gaining favor with the Nixon Administration, would keep traditional financing methods but postpone scheduled tax increases (there would be no effect on existing benefits but the annual surplus in the Social Security trust fund would not be as high).

**Welfare.** Opposition to the guaranteed income feature of the Administration's welfare bill has again held up the measure in the Senate Finance Committee. Critics note that provisions for granting welfare to families with a working member would double the rolls.

**Minimum Wage.** The House Labor Committee is considering a bill to raise the minimum from the present

\$1.60 to \$2 an hour by Jan. 1, 1973.

The Senate Labor Committee has a bill that would push it to \$2.25. The Administration has recommended \$1.80 this Jan. 1 and \$2 on Jan. 1, 1974. Opponents will argue that minimum wage increases feed inflation, and cause elimination of jobs by employers unable to meet the higher costs.

**Pension Plans.** Proposals for federal regulation of private pension plans will continue as an important business issue in the 1972 session of Congress.

Various bills would set government standards in such matters as funding, vesting and portability. The Nixon Administration is expected to submit its own recommendations.

**Agriculture.** Farm areas are growing increasingly restive over low prices received for output. Republicans well remember that farm discontent cost them the 1948 "sure thing" Presidential election. Pressures for legislation to improve agricultural prices will be strong on both sides of the aisles in Congress.

**Equal Employment Opportunity Commission.** The fight over stronger powers for the EEOC has shifted to the Senate.

A House-approved bill would give the federal courts jurisdiction over job discrimination complaints. But Senate liberals will press for legislation under which the EEOC itself could issue cease-and-desist orders. Opponents argue that would make the agency judge, jury and prosecutor on its own charges against employers.

**The New Budget.** The size of the federal budget for the fiscal year beginning next July 1 will be particularly significant at a time when the country is struggling to tame inflation.

Continuing the series of high deficits of recent years—\$25 billion is the estimate for the current fiscal year—will endanger the anti-inflation drive, in the view of a growing number of Congressmen concerned about regular, sharp increases in federal spending.

The federal budget as a factor in inflation is expected to receive far more Congressional attention in 1972.

END



# The States' Biggest Problems

The chairman of the National Governors' Conference says states are having a tough time in dealing with the "revenue crunch," and complains that federal bureaucrats avoid dealing with the Governors

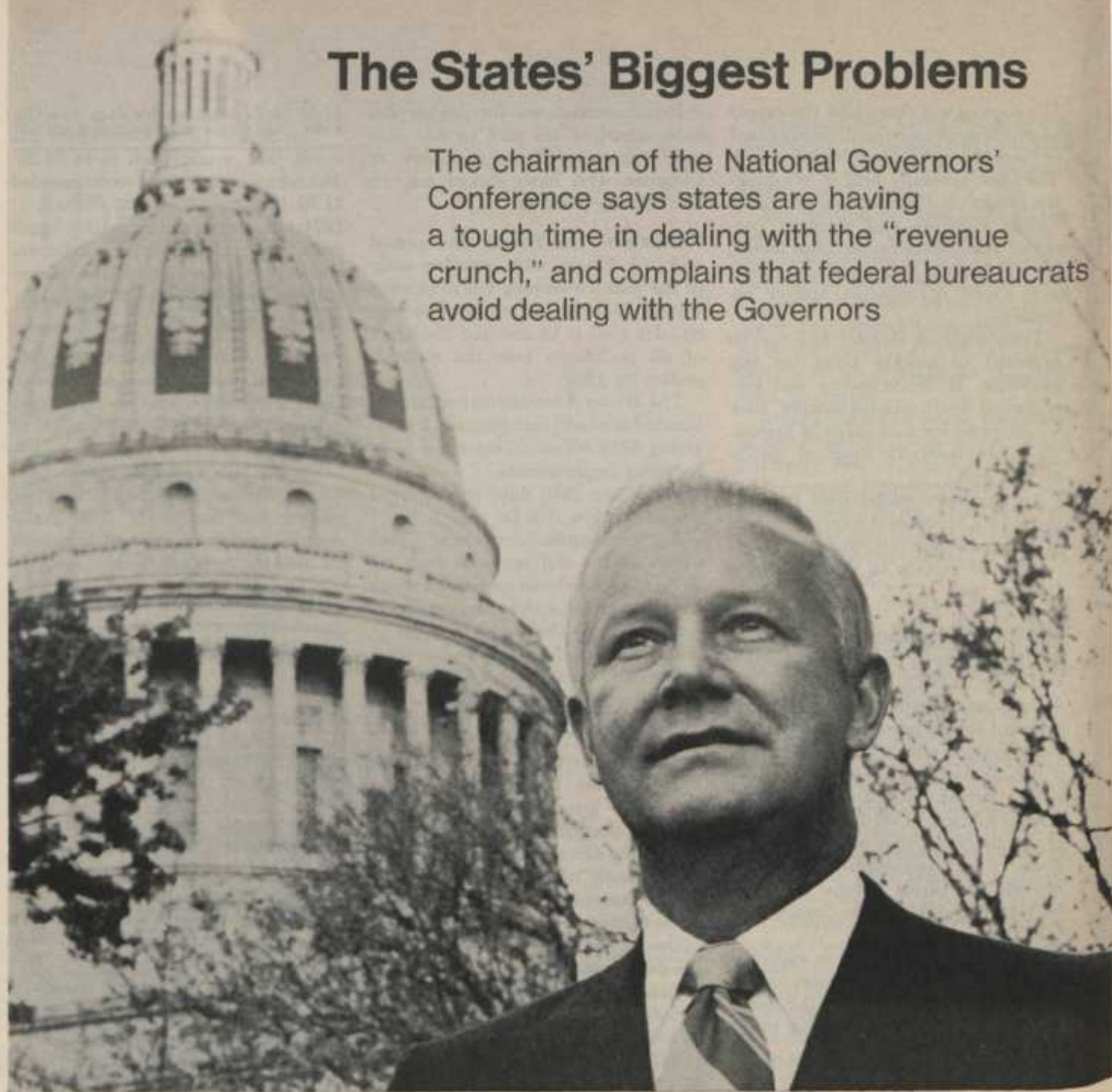


PHOTO: ROLAND FREEMAN

Gov. Arch A. Moore Jr. of West Virginia believes the federal bureaucracy doesn't really trust Governors to handle the complex problems that states face today.

He also knows many big city officials are bypassing state government and going directly to Congress to plead for aid.

These are two of the reasons he aims, as new chairman of the National Governors' Conference, to be an

"activist"—to prod Congress into paying more attention to the Governors.

Some of the problems of the states are of their own making, he believes. But he feels many stem from federal officials' ignoring of state government.

In an interview with a *NATION'S BUSINESS* editor, Gov. Moore, 48, talks about his Governors' Conference role, state and federal government problems, and his own experiences

in West Virginia since he became its chief executive three years ago.

**Gov. Moore, what are the biggest problems that the states face today?**

Continuing to provide the costly, complex services that our citizens require and finding the dollars to pay for them. I guess you could call it "the revenue crunch."

Ninety per cent of government services to the general population are



provided under the administrative thrust of the states, but states have a limited ability to raise money, by comparison with the federal government. States face the continuing challenge of finding sources of revenue. That's why you have an awful lot of interest in revenue sharing.

Another problem is the growth of federal aid programs that require an input of state money, either as matching funds or in other ways. One Governor told me recently: "All they need to do to force my state into bankruptcy is pass one more program to help us by requiring us to spend more money."

Costs of education and welfare remain two of the big problems for state governments. While I believe Congress should consider welfare reform, I also think welfare problems in some instances are more state-oriented than federally oriented.

#### How so?

Simply because the scope of welfare in some states has been quite liberal. Their rules of eligibility were made quite expansive and they moved way out in front of other states. They are now in the unhappy position of having to find enough money to keep on supporting those programs. It's always difficult to row back.

In Medicaid, for example, a number of states moved very aggressively to bring as many people as possible into the program, without really understanding what the cost was going to be.

So when I speak of state-oriented welfare problems, I mean a lot of the difficulties some states are having are the direct results of very liberal rules they themselves established.

**We've heard quite a bit about a flow of power from the states to Washington. Has there been any progress in strengthening the states' role?**

An important plus in strengthening the hands of the states is what I see as a change in the type of individuals who are being elected Governors.

We probably have a group of chief executives who have more ability and more capacity than in the past. That might sound disrespectful to some of our predecessors, but it isn't meant in that light. I think today's

Governors are more alert to the necessity for maintaining the state role in the federal system. They also are somewhat younger men.

So from the standpoint of the quality of leadership, the states are in a stronger position.

But, having said that, I still don't believe we, as state officials, have reached the point where the federal government trusts us. There is a general tendency in the federal bureaucracy—those officials who stay in office regardless of who is President—to think that Governors are operating in a purely political manner in whatever they do.

They don't look with much favor on doing business with the Governors.

#### What is the practical effect of this?

A case in point: We had 55 food stamp offices in my state. Welfare recipients would get their checks, take them to the bank and cash them, then go to one of those offices to buy their food stamps. I asked the federal government why we just couldn't deduct the cost of the stamps from the check and send the stamps out in the same envelope.

They were reluctant to let us do that. Finally, they said we could, but only on a voluntary basis for those who wanted the stamp cost deducted. So I instituted the new system. It is now almost 100 per cent acceptable to the welfare families and we have closed the food stamp offices, merging them into our welfare offices.

**Some say that the states are not responsive to problems of their cities and that the metropolitan areas should therefore deal directly with Washington. What's your view?**

The tendency to bypass the Governors is going to materially erode the sovereignty of the states. It also will erode the effectiveness of the Governors in their efforts to help the large metropolitan areas of their states deal with their very substantial problems.

In my experience, the people who are competing most aggressively for the federal dollar today are the big educational institutions—and the large metropolitan communities.

Very little of the federal dollar, by the way, ever gets down to the small community. But the responsibility

for dealing with problems like pollution is just as pressing on a community of 5,000 as on a city of a million.

I hope we get to the point where there will be full utilization of the structure of a state's government in determining the relative needs of communities within that state. Government suffers because we at the state level aren't trusted by Washington. If and when we are, we will be able to relieve the federal government of a lot of administrative burdens and eliminate a lot of duplication of effort.

**Debate over responsibility among various levels of government can sound pretty remote from the everyday world. Is there a practical aspect to it as far as businessmen are concerned?**

Yes. But to begin with, you have to talk about a businessman as being first a citizen of his community. He has the same hopes, the same desires for his family as any other member of the community. He is concerned about the caliber of education offered to his children; adequate law enforcement; a safe, healthful environment; an efficient transportation system.

He wants to see his community and his state excel and improve. So I think his interest is basically in seeing to it that those two areas of government function well.

Also, businessmen have reason for concern about anything that makes the federal government stronger at the expense of local and state governments, simply because of the continuing invasion into all spheres of business activity by federal agencies and regulations.

**How do you view the relationship between business and government over-all?**

I'm concerned that businessmen are still gun-shy, as individuals, about sharing their full understanding of government with their fellow citizens.

I think they feel that, as soon as they speak out, whatever they say will be considered prejudiced simply because it is a businessman's viewpoint.

We could all profit a great deal more in terms of a better quality of government as well as a better quality of life if businessmen wouldn't be so





*"Businessmen have reason for concern" about growing federal power, says Gov. Moore, pointing to "invasion into all spheres of business activity by federal agencies."*

## The States' Biggest Problems *continued*

durned gun-shy in expressing themselves on political questions.

You have turned to businessmen for advice on state government, haven't you?

We put together a task force of 54 businessmen whose talents were contributed by companies doing business in West Virginia. They spent three months with me and had unrestricted authority to recommend changes in government that would save money through sound business practices. They came up with suggestions to save \$50 million.

I've implemented 80 per cent of their recommendations by executive order and we saved an estimated \$33 million. We were one of the few states in the nation with a surplus last year and we'll have another this year.

The balance of the recommendations require legislation and I'm working on that.

A fringe benefit was that many of

the business people who served on the task force became tremendously interested in state government. They had complained about it for so long, but they finally found out there were some reasonably talented people here.

We got a little romance started and, as a matter of fact, a couple of those who served on the task force decided to run for the legislature. And they won, too.

The Governors' Conference has shown great interest in balanced economic and population growth, sometimes referred to as rural development. What would such a program accomplish?

If we can find a way to provide opportunities and a better quality of life—in the broadest sense of those terms—for our rural and small town areas, we'll be able to keep people in those areas and attract others to them.

For the last 25 years, there's been

a mass migration from rural America into the large metropolitan areas, compounding the demand for all types of services as well as for housing and jobs.

We feel we can actually answer what is probably the most outstanding problem government faces today—the ills of the big urban centers—by keeping a number of our people in rural areas. One way to do this would be through federal tax incentives to encourage business to locate in, or remain in, a rural or small town area.

When they look at the problems of our cities today, I think, most people would prefer to live and work elsewhere if the opportunities were offered.

Hasn't West Virginia lost a good number of people to the big cities?

No question about it. We contributed as a state to some of the problems of the cities through our outmigration of the 1950s and 1960s, a classic movement from rural to urban areas. However, West Virginia is still basically rural, with 74 per cent of our population living in communities of less than 10,000 people.

What have you done to cut your losses?

We recognized that our state tax structure was not compatible with economic growth and we revised it to encourage capital investment. The immediate objective was creating job opportunities, not collecting revenue from business. If we got the jobs and the economy expanded, we knew the taxes would follow.

We had a tax that a lot of people felt hurt our efforts to attract industry, because it required a company to pay on its gross business even though there wasn't a dollar of profit in it. We took a look at this and concluded we should provide an offset of as much as 50 per cent of the taxes due the state against capital investment made in West Virginia over a 10-year period.

There were other things we had to do. One of the most important was improving our highway system. We were highly inaccessible, although two thirds of the population of the entire country is within 500 miles of West Virginia. So we began a road





PHOTO: TOW EXHIBITION—BLACK STAR

*The caliber of today's governors is a big plus for states, Gov. Moore feels. Here he confers with (from left) Govs. Warren Hearnes of Missouri, past chairman of the Governors' Conference, and Wendell Anderson of Minnesota and Frank Licht of Rhode Island, both on the group's executive committee.*

construction program that has exceeded that of every other state in the past two years.

**People think of Governors as being pretty powerful. Do you find frustrations in your job?**

Yes. One of the most frustrating things about being a Governor is the immobility of government, if you will. I think that when I make a decision I ought to see the wheels turning the next day. I have developed a follow-through pattern to determine if that's the case, but it takes an awful long time for a bureaucracy to crank up in even a most simple situation.

I also find that people expect answers to the most personal problems. A great deal of my time is taking calls from ordinary citizens with individual problems or problems dealing with local situations.

The frustrating thing is that it's just impossible to act in a personal

relationship as I did when I was a Congressman in dealing with problems that people from my district came to me with.

**What's the biggest difference between being a Governor and a Congressman?**

Being a chief executive of a state means, as we say in West Virginia, that "you're right at the face of the coal." You've got to make the decisions, establish the priorities and carry them out. A Congressman can have the best of both worlds. He operates in a broad context and isn't directly responsible for day-to-day, basic operations.

**What do you hope to achieve during your year as chairman of the Governors' Conference?**

We have utterly failed as Governors to impress upon Congress the need for us to play a vital part in the establishment of priorities, to have a role in developing answers to so

many problems that exist in the states.

To be very frank, we have let Congress work its will to the detriment of the states and the Governors. We very rarely even let committees of Congress know our position on a particular bill.

I want to cure that. I have asked each Governor to improve his relationships with members of Congress from his state who are on committees handling legislation that is vital to the states. Every Governor will make sure that those committee members from his state know what our position is.

Governors themselves, not staff people, will be enunciating our positions before Congress and the public, and we will be following up and working constantly for our goals. If we have been shortchanged in dealing with Congress, it is because we have never moved effectively to improve our position.

END





## The Businessman Who Brought the Pro to City Hall

Back when he and the Twentieth Century were young, Richard S. Childs began a crusade which led to changes in the way millions of us are governed; he's a lot older today, but he's still crusading

*Richard S. Childs fathered the city manager concept more than 60 years ago. He is still one of the most persuasive advocates of professionalism and reform in local government.*



Can one man still make a difference?

If "making a difference" means prompting a change in the system which governs millions of city residents, the answer would seem to be, Yes.

The man who did just that is a retired businessman. He served as executive vice president of Lederle Laboratories, and before that, ran the Bon Ami Co., which his father helped found. And before that, he did other work in the business world.

All the while, in his spare time, he preached the merits of the city manager system and won convert after convert to it.

His name is Richard S. Childs, and he is generally hailed as the "inventor" of that system.

Since there have been city managers for generations now, most people are surprised to learn the father of the idea is still around.

They're downright astonished when they find him, at 89, proselytizing with the same cheerful, tenacious zeal that has already resulted in city (or town or county) managerships in 2,492 U. S. communities and in communities in Canada, Britain and Ireland.

Sumter, S. C., is generally credited with being the first U. S. city to use a manager plan. That was in 1912. It has been governed under the plan ever since.

#### Few defectors

Each year, 70 to 75 U. S. localities join the ranks. Since 1913, only 100 council-manager municipalities have reverted to their old form or adopted some new type of government.

Among cities over 10,000 in population, the majority are under the council-manager plan. It has shoved the mayor-and-council plan, once universal, into second place. The commission plan, which hit a peak of 500 municipalities in the 1920s, is on the wane.

The council-manager plan is based on the idea that a city is best run as most school systems are: A nonpartisan board, or council, sets policy and a professional administrator operates the system. Under the plan, the mayor ideally is largely a ceremonial figure.

Mr. Childs is surprised by one recent trend.

"In earlier days," he says, "a chamber of commerce would frequently be the organization that would propose the plan, just because businessmen hated to see the way city hall was run and the way taxes were distributed to the faithful. They seized upon the manager plan as a means of shaping up the situation.

"It was always opposed by the people in city hall. But nowadays, mayors and councilmen frequently initiate a manager system.

"Mayors find that the job of running a city is getting a little bit too thick for them, and too much work, because they have their private careers. So they want one of these city managers to take over the details."

Instigators of city manager plans run from liberals to deep-dyed conservatives and include people who are ordinarily politically indifferent as well as people who are deeply involved.

Barry Goldwater was a prime mover for the manager plan in Phoenix. In Cincinnati, Charles P. Taft, loyalist Republican though he is (he once ran for governor of Ohio on the G. O. P. ticket) abandoned the G. O. P. during municipal elections and supported a Charter Party that resisted both national parties' incursions into local government.

Mr. Childs' vision of the council-manager plan first surfaced more than 60 years ago.

He was already a veteran of municipal reform then, having been a guiding light in the "short ballot" movement in New York.

The short ballot organization had Woodrow Wilson as president and Mr. Childs as man of all work. He operated out of an office cubbyhole next door to an advertising agency where he earned his living.

#### Never underestimate . . .

Mr. Childs had become enmeshed in government reform partly because of confusion and partly because of romance.

The confusion involved his first vote, in 1903. He came down from Yale University to Brooklyn, his home town, to cast his ballot in an election. When he got into the booth and opened his big paper ballot, he

found he knew four of the candidates—but there were 15 he knew nothing about.

He voted for all the Republicans, but he wasn't happy about his lack of knowledge. Later, he found that his father, too, did not know the backgrounds, or even the names, of many of those he had voted for.

"Well, that made a great impression on me," he says.

About that time, a young lady chided him for failing to live up to his potential and for spending too much time on tennis courts and at yacht races. He was persuaded that she had a point, and settled down one winter to write what he now thinks of as a "midnight-oily" essay called "The Short Ballot."

Aside from being one of the few episodes in the history of romance when a damsel inspired anything so prosaic as a treatise on municipal uplift, the exercise fired up Mr. Childs to make municipal government work better at a time when it was near its nadir.

(The romance, by the way, went nowhere. Both Mr. Childs and the lady married, but not each other.)

His interest in good government has been "the controlling factor in my life ever since," he says.

#### George did it, too

With its emphasis on reducing the number of elected officers and focusing the voter's attention on a few who hold the real decision-making responsibility, the short ballot movement led Mr. Childs into supporting the then-popular commission form of government.

But he saw shortcomings in it and, by 1910, had refined it into the city manager, or council-manager, plan.

He is the first to point out that others before him had similar ideas.

"Like any such idea, it was too simple to invent," he says.

"It was original with me, although I wasn't the first in the world to think of it. I was simply the wet nurse who put it over."

In fact, the International City Management Association sometimes invokes no less a figure than George Washington as one of Mr. Childs' precursors. In 1792, Washington wrote that the "Federal City ought



## The Businessman Who Brought the Pro to City Hall *continued*

to be under the immediate direction of a judicious, skillful superintendent appointed by and subject to the order of the commissioners."

Subsequently, during his business career, Mr. Childs spent much time working on behalf of the manager plan and helping to run the National Municipal League, which was carrying the ball for a variety of good-government schemes.

He brought the League office from Philadelphia to New York in 1920 and revamped its management, replacing the secretary with a bright young man named Harold W. Dodds, who went on to become president of Princeton for 24 years.

In 1944, when it became time to retire from Lederle—"for old age," he says sardonically—Mr. Childs moved over, as a full-time volunteer, to a desk in the League office. He's still there.

For years, he was a virtual wandering minstrel for the manager plan, going anywhere a group of civic reformers needed a missionary to explain the system.

At one time, after Illinois had passed a law permitting optional adoption of the plan, Mr. Childs stumped nine cities in nine days.

For the past five years, he hasn't been out on the lecture circuit—not because he has tapered off but because large meetings of citizens worked up about local government seem to have tapered off.

"It's television," he explains. "Meetings of political parties and candidates, and things of this sort, are no longer in vogue. You can't get a crowd."

### When the pros gather

One meeting where Mr. Childs is always sure of drawing an admiring crowd is the annual conference of the International City Management Association. "It's a great profession now," says the man who spawned it. "They do me honor and listen to the old man's anecdotes."

Added evidence of city managing's professionalism is the fact that a number of universities have courses for training city managers.

The International City Management Association—which is located in Washington, D. C.—prints highly re-

garded guidebooks on how to grapple with the nuts-and-bolts problems of running a municipality. These literally range from "dog control" to how to determine if and when a computer should be installed in a city hall.

There are books on building codes and neighborhood city halls, on data collection systems, employee procedures and ways of budgeting. The ICMA publishes the respected "Municipal Yearbook" and provides 15 correspondence training courses on down-to-earth subjects a city manager encounters.

True to the orthodox vision of the founder, city managers themselves generally try to keep scrupulously free of partisan politics. But there are occasional lapses.

This doesn't upset Mr. Childs in the least. Like many innovators he tends to be majestically optimistic, brushing aside setbacks and accentuating the positive.

"I assume that all these cities are going to be run by human beings and that the improvement in structure doesn't change human beings much," he says. "But it does provide—just as school boards do—the opportunity to put in professional administration and to develop the profession of administration."

City managers generally begin as township or village managers and work up—if that is their yen—to ever-larger municipalities and ever-larger salaries.

The gamut ranges from town manager of Amity, Me., which has a population of 156, to manager of Los Angeles County, Calif., with almost seven million. The largest city to have a traditional manager plan is Dallas, Texas, with a population of 850,000.

"A man who is elected mayor never expects to get any other job of that kind outside his own city," Mr. Childs says. "But the managers go from one city to another." This, he says, helps assure that the man in charge of a city isn't playing it by ear.

Managers' professionalism can be in distinct contrast to lack of professionalism among mayors. Often, a mayor is spectacularly ill-equipped for his post and his first couple of terms can amount to a kind of on-the-job training.

The manager system has produced several heroes of public administration and seems to be turning out more. Their prestige has helped spread the plan.

### Heroes, past and present

Dayton, Ohio, which was an early convert, had as a manager Henry M. Waite, a remarkable engineer (he later built a railroad terminal in Cincinnati and the Chicago subway system). His reputation was such that delegations came to Dayton from all over the United States to see what he had wrought.

Another hero is Wayne Thompson, former city manager of Oakland, Calif., now a senior vice president of the Dayton-Hudson department store in Minneapolis. L. P. Cookingham, when he was manager of Kansas City, Mo., turned that city into an incubator of new managers by training "interns" or "juniors."

And Clarence Addison Dykstra went on from the city managership of Cincinnati, Ohio, to become president of the University of Wisconsin and, later, provost of the University of California at Los Angeles. Many regard Cincinnati under Mr. Dykstra and Clarence Osborne Sherrill, who was both Mr. Dykstra's predecessor and successor, as the beau ideal of the plan.

As for Mr. Childs, that hero of heroes of the city manager system, he's still at his National Municipal League office every day.

Not long ago an acquaintance called on him, expecting to find him at last sitting back and contemplating a life of solid achievement.

Instead, he was busy firing off a letter to the nation's judges (through their professional magazine, *Judicature*) instructing them in the desirability of judges being appointed, rather than elected—something, he said, he had learned way back in his old short-ballot days.

And he was preparing a pamphlet, since published, on "Our Ailing Parties"—a detailed study designed to inject more democracy into the structures of the two national political parties.

"It's a complete new crusade," Mr. Childs proclaimed.

—WILLIAM M. RINGLE



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LESSONS  
OF  
LEADERSHIP  
PART LXXIX

# David Rockefeller of Chase Manhattan Bank

## Living up to a special responsibility

David Rockefeller was born 56 years ago into a family that had so much money, so much power, so much influence and so much fame that no one had any idea how to add it all up.

He learned early from his father, John D. Rockefeller Jr., and his mother, Abby Aldrich Rockefeller, that one thing it did not add up to was a life of indolence and waste.

As he grew up he was taught—as were his older brothers, John D. III, Nelson, Laurance and Winthrop, and his sister Abby—always to turn out lights in empty rooms. Food could not be wasted—they had to eat everything on their plates.

David Rockefeller also was taught that his advantages gave him a special responsibility to mankind, and that he had to work—and work hard.

As a child, he pulled weeds at a penny each on the terrace of the Rockefeller estate in Maine. He learned that job properly and then he graduated to raking leaves—eight hours for \$2 at another family residence in Pocantico Hills, N. Y.

There has been plenty of public service and plenty of hard work since then.

By 1940, freshly armed with a Ph.D. in economics from the Univer-

sity of Chicago, Mr. Rockefeller was secretary to New York's pepper pot mayor, Fiorello H. LaGuardia. During World War II—he enlisted in the Army as a private and left it a captain—he served in North Africa and as assistant military attaché in Paris after the liberation.

In 1946, David Rockefeller joined Chase National Bank as an assistant manager in its foreign department. Today, as chairman of Chase Manhattan Bank (Chase and the smaller Bank of Manhattan merged in 1955) he is one of the four or five most important bankers in the world.

Family money and fame helped him to get ahead, of course. Chase traditionally has been regarded as a Rockefeller bank. But there's plenty of reason to believe David Rockefeller had the ability to get to the top on his own.

The No. 1 man at Chase's new 60-story building near the lower tip of Manhattan, with its 8,800 windows and the world's largest bank vault, is low-key and almost British in idiom, dress and manner.

He has wide interests—he's a collector of modern and French impressionist art and of mounted beetles, and he has the Rockefeller penchant

for giving away enormous sums of money and not bragging about it.

(His bank also is an art collector. The sculpture beside Mr. Rockefeller in the picture on the opposite page—the bank's ultramodern symbol is in the background—is on display at Chase Manhattan's main offices.)

He enjoys life and, although he works 12- and 14-hour days, he gets away from his labors occasionally for brief holidays in the Caribbean or in Maine. His wife, Peggy, his two sons and four daughters, and his duties on about 35 public-spirited committees and organizations help make his days well-rounded.

Here, in an interview with *NATION'S BUSINESS* in his art-bedecked office, Mr. Rockefeller gives some views on problems of our times, and some insight into what it's like to be rich, famous and very busy.

*Mr. Rockefeller, you are a great collector of beetles. How did this come about and how many do you have?*

I began when I was 10 years old. I had a biology teacher at the Lincoln School in New York who was interested in beetles and got me started. Two or three years later, I took nature classes at Seal Harbor, Me., from



## Lessons of Leadership: David Rockefeller *continued*

a very pleasant woman named Mrs. Neil and she got me going even further on beetles. Later, I spent three summers on entomological expeditions.

But I'm afraid I haven't had much time to pursue the hobby recently. I still have my collection, I guess 50,000 or so specimens.

Considering that there are about 250,000 known species in the world, mine is a small representation.

*What is your first love—beetles or the bank?*

The bank has long since won out.

*Do you remember your grandfather, John D. Rockefeller Sr.?*

I saw a great deal of him, because I was 21 when he died. I used to spend winter vacations with him in Ormond Beach, Fla., and I saw him when he came up to Tarrytown, N. Y. I also visited him in Lakewood, N. J., where he had a place.

I remember particularly what a kindly and interesting person he was. He was fond of his grandchildren and used to love having us around. He would tell amusing, rather homespun stories.

And, he would sing little songs for people.

He was quite different from the image I guess he had in the days when he was active in business.

*Your grandfather gave me one of his shiny, new dimes when I was a small boy. I still have that dime.*

I don't know how he started that custom of giving away new dimes. In a way it gave him an excuse to talk with people he might not have had a chance to see otherwise. It was rather a good thing.

*How does being the bearer of a most famous name affect you?*

There are restrictions and problems. It's awkward when you see people and they know you but you don't know them. It is impossible for me to remember other people as well as they do me in a number of cases.

I think it is also true that some people tend to have stereotyped impressions of other people. Perhaps this is particularly true now, when so many

of the New Left like to think in terms of stereotypes.

On the other hand there are obviously many advantages. It is easier to meet people and do things than it might be for someone else whose name is less well known. So, as in all of life, there are pluses and minuses.

*Has your special situation influenced the way you and your wife have raised your children?*

We tried to give our children a sense of responsibility but we did not want them to feel essentially different from other people. We tried to bring them up naturally and normally. We tried to get them to understand that, even if they didn't always agree with our own particular positions and beliefs.

We have been lucky to have six wonderful children and I was very lucky in the parents I had.

*You may well be a member of more organizations—social, business, philanthropic, civic, governmental—than anyone else. How do you find the time?*

My wife thinks I'm a member of too many.

But, obviously, I couldn't do as much as I do without excellent staff assistance.

*Several members of your family are politically oriented. Have you ever heard the call?*

You can't be involved in business with a great international bank without being involved in government and politics. But I have never sought government office although I know a great many people in government. I have served on many governmental committees.

*But have you ever felt the urge for elective office?*

It would be interesting. But I have two brothers and a nephew who are deeply involved in elective office. Maybe that is enough for one family.

*Mr. Rockefeller, what is the first lesson one must learn in order to be a leader?*

To understand and be sensitive to the concerns and aspirations of other people.

*Do you object when a subordinate disagrees with you?*

No. I object if they don't feel an obligation to disagree. They may help me to change my mind.

In the last analysis my view has to be the final one, simply because I have been given that responsibility by the bank's directors.

But I am convinced that I would not be able to discharge that responsibility well if I had people around me who simply said Yes to everything I said.

*Many people and companies are fleeing New York City. As a native New Yorker, how does this strike you?*

I am, frankly, disturbed that a number of major corporations have moved. I, myself, am not convinced that this is necessarily a wise move. I feel there is great advantage to rubbing shoulders with a great many people from all sorts of backgrounds, with broad interests and with the exposure to cultural opportunities that are present in the city.

There is a danger of people moving to the suburbs and living isolated, provincial types of lives.

One has to recognize, however, that there are serious problems in New York City which most other big metropolitan areas are also facing.

And it is terribly important that the business communities in those cities assume a sizable share of responsibility in working with governments in trying to deal with these problems.

*There is a trend of financial institutions moving to Washington. Do you think this will continue?*

I wouldn't really feel there have been any significant moves of major private financial institutions away from New York. The movers primarily have been government oriented institutions which logically should be in Washington.

The American Bankers Association moved there because increasingly it came to realize its job was dealing with Congress and the Administration.

The ABA is a trade organization, not a bank, not a financial institution. It represents the banking community to the government.





100 communities of about 100,000 persons to take care of people during the next 30 years.

I have suggested formation of a unit within the White House to have responsibility for national growth planning.

There also is need for an urban development bank to provide funds for new city planning.

I have recommended a quasi-private, limited-dividend type of organization which would be sponsored by the government but essentially would be privately run.

What I envisioned was that commercial banks might own equity, that the equity would be a relatively small proportion of the total, that there would be bond issues to be bought by insurance firms, pension funds and other institutions. Interest rates would be competitive in that they would be related in some way to the prime rate. But they probably would be lower than the rates that might be paid by strictly private and commercial developments.

*Do you foresee a Euro currency several years from now?*

I would say Yes, but at the same time stress the "several years" part. I don't believe it is likely soon. Not many European countries are prepared to give up the degree of national sovereignty required to have an effective Euro currency.

On the other hand, they increasingly are recognizing that this would be an important element of a closer knit Common Market. Most of them recognize that this is an important thing for them.

So I do believe one will come, but it will be several years away.

*How do you view the fact that the United States is slipping as the world's leading trading nation—that its position relative to others has declined rather than grown?*

If we say the dollar is no longer the all-powerful currency, that might be true in technical terms—in the sense that the Swiss franc and German mark today seem stronger in relation to the dollar.

But nevertheless, because we are the strongest nation economically, I think few people would deny that the

dollar is still the most important world currency.

*What generally, do you think will happen to American foreign trade in the next few years?*

We can increase it provided we get inflation under control. This has been the principal deterrent to trade. If you look back less than 10 years, our trade surplus then was running at a level of about \$6 billion. Now it has dropped to where there is actually a deficit.

People raise questions of foreign competition and lower wages and that kind of thing. Those are factors, but inflation has always been the prime reason. However, I am convinced that if we continue to spend money on research and development, continue to be aggressive in marketing techniques, there is no reason why we can't stay one jump ahead of the others in many areas.

*Will there be more nationalization, partial or total, of foreign-owned enterprises in the underdeveloped countries?*

One cannot generalize on a global basis. There certainly has been a trend toward nationalization in a number of countries, notably in South America, Africa and Asia. But it has not all been in that direction.

We have seen other countries realize that private enterprise offers them the greatest opportunity. And therefore they have increased opportunities for foreign private investment.

This is certainly true in Indonesia and Brazil.

I think multinational corporations, whatever their national origin, are going to have to be increasingly willing to adapt their operations to the laws and sensitivities of the countries in which they do business. They have to be good citizens of those countries if they are going to be permitted to stay.

*Mr. Rockefeller, the genesis of that question is that some of the big oil companies may soon be forced to share up to 20 per cent ownership with foreign governments, as well as to surrender 20 per cent of executive jobs to local managers.*

Yes, in a few companies, like the

*Do you think life will ever settle back to the quiet, placid ways of years ago?*

I haven't seen very much of a trend in that direction, I'm afraid. It seems to me that the complexity of living is growing and that the pace of life is getting quicker.

That being the case, people must find ways of spending their leisure so they can restore their peace of mind.

*We see scores of companies going to a four-day workweek. How general a trend do you think this is?*

The trend is there. It will be interesting to see whether it continues. But I find it difficult to see how we are going to be able to cut down significantly on our workweek at banks without seriously hampering efficiency.

*You have spoken often about New Towns. What size will they be and how will they be financed?*

The best estimates are that the population of the United States will increase by 75 million between now and 2000 A.D. Obviously that will require new homes, new schools and the facilities for new jobs. I question very much whether existing cities can expect to accommodate this increase. Others agree, since it has been suggested we will need 10 new cities of one million or more population and



## Lessons of Leadership: David Rockefeller *continued*



PHOTO: JIM JACOBSON

*Chase Manhattan began acquiring art in 1959 for display in its offices and branches, and the value of its collection has been conservatively estimated at \$2.5 million. Here, Mr. Rockefeller is at New York's Finch College Museum of Art, for an exhibition of 115 Chase-owned sculptures, paintings and graphics. The exhibition benefited the Dance Theatre of Harlem.*

petroleum firms, there have been changes in the relationship between the companies and the host nations in ownership patterns and organizational structure.

But it's likely that host nations will continue to find it to their advantage to work out mutually attractive arrangements with the oil companies for exploration and marketing of products, because for the most part they just don't have the technical knowledge, the managerial ability, the world-wide connections or the capital to do the job themselves.

### *What's the future for East-West trade?*

It would be wise and useful from both the Soviet and U. S. standpoints to expand the present volume, which is really negligible. We have continued prejudices and arguments against permitting trade with the Soviets longer than is in our best interest.

Trade is one of the best ways of stimulating understanding. Many items which are not permitted to be exported to the Soviet Union have no strategic significance whatsoever.

I was at a conference in the Soviet Union last summer and expanding the volume of trade was a subject we discussed.

Everyone there agreed it was desirable, but none of us was hopeful that in the short run there would be any massive increase. For one thing the two economies are too similar and the Soviets really do not have many items that are attractive to us. But

the amount of trade could be increased substantially.

### *Will the Iron Curtain ever be replaced with a plate glass window?*

Some progress is being made in this direction. There is contact between Western nations and Eastern European nations other than the Soviet Union. Even with the Soviets there is somewhat more freedom of travel and an attempt to establish contacts between countries.

As I just mentioned, I was in the Soviet Union recently. I have participated in four of a series of six conferences over the past 10 years called the Dartmouth Conferences, the purpose of which is to bring together people from the two countries and enable them through several days of conversation to understand one another better and keep in closer contact.

As a result of this most recent meeting it was agreed that there should be a steering committee of each group to keep more regular contact between meetings. This was suggested by the Soviets. It was a small straw in the wind.

### *Now that we are going to do some business with Communist China, it's interesting, Mr. Rockefeller, to recall that you recommended this many years ago. What will this mean to American business?*

I doubt it will mean much in the short run. The main importance is that it is not healthy for one huge area of the world, that has the largest

population of any country, to be completely isolated.

But I would be surprised, frankly, if the recognition led to any great volume of trade in the next few years.

### *The late Nikita Khrushchev once told you in the Kremlin that someday everybody would be a communist. Have you noticed any trend in that direction recently?*

They still say it over there, and they believe it. They are still good Marxists.

However, the fact that they don't have enough confidence in themselves or their ideology to allow anyone who doesn't believe in it to say so in public makes me wonder whether really the Soviet Union is quite as strong or quite as self-confident as it wants to appear.

Anyone who cannot accept that there can be anything wrong with themselves or their beliefs, and who will not admit to a flaw in their system, must be somewhat lacking in self-confidence. Freedom of thought and speech is an important thing. And this is something that Western civilization has which communist nations do not.

### *You once said that we live in a world of unlimited desires with limited resources. Can you elaborate?*

This has been pointed out by economists since the days of John Stuart Mill—that human beings like to have more than their resources permit.

At the present time people are put-



ting less emphasis on strictly worldly economic resources and more emphasis on the quality of life and the environment. This is probably a logical and good development.

But in order to have environmental quality one has to spend resources. That means you have fewer resources for other purposes. So it will always be true that mankind will never have all the resources that all of the people would like.

*Will this intense interest in environmental problems eventually give way to other problems?*

It is here to stay. The reason we have to be concerned is that the population of the world has been growing in geometric proportions and consumption by individuals has been growing very rapidly also.

When there was a population of a few hundred million people, man's impact on his environment was relatively insignificant. But that day is past forever, because population—and consumption—are continuing to grow.

*Mr. Rockefeller, one last question. Banking has changed more in 20 years than many other industries have. Banks don't even look the way they used to look. What are your feelings on this?*

I agree that banks have changed very much, and I would like to think that bankers are more human, today. Bankers recognize, as does business in general, that they have to be concerned with the problems of our society just as any citizen is—perhaps even more so. Banks have to take into account social responsibilities.

The fact is that in the long run it won't be possible for a bank or corporation to make a good return for the shareholders if it is not responsive to needs of society. **END**

REPRINTS of "Lessons of Leadership: Part LXXIX—David Rockefeller of Chase Manhattan Bank" may be obtained from *Nation's Business*, 1615 H. St. N. W., Washington, D. C. 20006. Price: One to 49 copies, 35 cents each; 50 to 99, 30 cents each; 100 to 999, 17 cents each; 1,000 or more, 14 cents each. Please enclose remittance with order.

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PHOTO: FRED WARD—BLACK STAR

## Labor Law Reform: Essential to Fight Inflation

BY SEN. JOHN G. TOWER

The major cause of the inflationary spiral that has plagued the nation in recent years is the concentration of economic power in the hands of organized labor.

At one time, I believed government fiscal and monetary policies were the principal cause of inflation. I no longer think so. They are factors, but they are less significant than the inordinate might of the unions.

This imbalance came about largely because the basic labor laws under which we operate today are outmoded products of the 1920s and 1930s, enacted to deal with circumstances of that era.

These laws have put up a statutory wall of protection for organized labor behind which it can operate with little or no restraint.

We have heard much about the combines and trusts of the Nineteenth Century, but the power exercised by unions today is something the old

*Sen. Tower became Texas' first Republican in the U. S. Senate in 90 years when he was elected to succeed Lyndon Johnson in 1961. He's a leading Capitol Hill spokesman for labor law reform.*



robber barons would never have dreamed of.

The chief problem this causes, as far as the average citizen is concerned, is that organized labor can virtually bring an industry to its knees, forcing it to accept wage contracts that go beyond any rational relationship to productivity. These settlements drive up production costs—and prices.

Organized labor is able to bring our whole economy almost to a standstill—or at least to affect large segments of it through dock strikes, railroad strikes and so forth—until its inflationary demands are met.

Unions shouldn't have the power to arbitrarily punish everybody else in the United States because they are not getting precisely what they want.

Our position in international trade also is involved. In addition to causing inflation at home, high labor costs weaken us in competing with other industrial nations.

The leaders of organized labor are really acting against the long-range interests of their constituency: They may obtain some short-term gains in wages, benefits, etc., but in the final analysis they are going to shrink the number of jobs available to workers in this country.

High labor costs mean that jobs are going to be exported to countries with lower wage levels.

This is already being done. We're just not labor-competitive any longer. The only thing that is saving us is our technology and market know-how.

#### Balance in the Acts

To my mind, the solution to the problems flowing from the imbalance of power in labor relations must begin with fundamental changes in the underlying laws.

That is why I have introduced in the Senate for two successive years legislation to:

1. Abolish the National Labor Relations Board's authority to hear and rule on charges of unfair labor practices. The Board has behaved in this area as if it were an extension of organized labor. It has subverted the Congressional policy that an employee must be free to choose whether to join or not join a union, and has shown an obvious preference for enforced unionization.

This bill, which would give the federal courts jurisdiction over unfair labor practice charges, has been reported favorably by the Senate Judiciary Committee's subcommittee on the separation of powers. The subcommittee's action is most encouraging. It offers a great deal of hope that the Senate will have the chance to vote on this most important issue.

2. Establish a Commission on Labor Law Reform, to be composed entirely of public members appointed by the President. It would make a comprehensive review and recommend to Congress new legislation designed to meet current needs.

The NLRB was established under the National Labor Relations Act in 1935 to administer union representation elections and, more importantly, hear cases of alleged unfair labor practices.

The original Act spelled out employee rights to form or join labor organizations, bargain collectively through their own representatives and engage in other concerted action. The Taft-Hartley law of 1947 made an important change—that workers "shall also have the right to refrain from any or all of such activities."

In exercising its authority, the Board has ignored that commitment to free choice. In fact, in no area of Congressional policy-making has the intent of Congress been so fully ignored by those delegated to interpret it as in the case of the NLRB.

We should be clear as to just what the NLRB's role is. The National Labor Relations Act, Taft-Hartley and the Landrum-Griffin Act spelled out what constitute unfair labor practices. It is the Board's duty to determine through investigation whether



## Labor Law Reform: Essential to Fight Inflation *continued*

such practices really occur. Congress never authorized the Board to determine labor policy. It has no authority to decide what relationships among unions, employers or employees ought to be.

In practice, however, the Board has followed a self-directed course that has earned it the reputation of being an arm of organized labor.

### Cards stack the deck

One of the most far-reaching twists that course has taken has been the NLRB's approval of use of so-called authorization cards as evidence that a majority of workers want to be represented by a given union.

The validity of these cards is often open to serious question. But the important thing is that the National Labor Relations Act clearly states that a secret-ballot election is to be the only criterion for resolving representation disputes.

It was the common understanding in Congress on passage of Taft-Hartley that authorization cards were barred as a means of determining whether a majority of workers wanted to be represented.

Nevertheless, the NLRB has in effect decided that it may impose on employees a union they rejected by secret ballot, as long as the union presents authorization cards signed by most of the workers.

At various times, the Board has upheld the validity of authorization cards that:

- Were signed by workers who said they had been threatened with loss of their jobs if they failed to sign.
- Were signed by workers who had been told a majority of cards were already in, and theirs would make no difference.
- Were dated up to four years prior to the time they were presented as evidence of worker support.
- Had, in one case, been signed by non-English-speaking workers who later said they had been told they were merely signing up for a duck dinner promised by union organizers.

### Free speech—for whom?

The Taft-Hartley law guarantees free speech to both employers and union officials in connection with distribution of material in organization

drives, provided there is no "threat of reprisal or force or promise of benefit."

In one case, workers rejected a union but the vote was invalidated on grounds the employer had told white employees about union support of racial integration.

In another case, Negroes at a laundry voted for a union after organizers sought to convince workers that management was racist and favored brutal police tactics in racial disturbances. This time, the Board validated the election, holding that the union approach was a permissible appeal to racial pride.

The Board's decisions in these cases should be premised on a guarantee of free speech without threats of reprisal.

Matters of racial prejudice and civil rights have been clearly dealt with by Congress in separate federal statutes and are not at issue in NLRB cases. The Board is overstepping its jurisdiction when it makes moral judgments based on members' preconceived values in those areas. Such decisions conflict directly with First Amendment rights to free speech.

A list of examples of the bias the NLRB has shown in favor of unions, particularly big unions, would be virtually endless.

My bill would simply transfer jurisdiction of unfair labor practice cases to the U. S. District Court for the area in which the controversy arose. The court could, as it saw fit, grant temporary injunctive relief, but only after a public hearing.

After another hearing, a full one on the merits of the case, the court could halt unfair labor practices and order the offending party to take such action as necessary to comply with the law.

That could include reinstatement of employees with or without back pay. Depending on who is responsible for employees being unfairly put out of work, back wages could be ordered paid by an employer, a labor organization or both.

This bill cannot be considered in any way anti-labor. It does not change the substance of labor law in any way. What is now defined as an unfair labor practice remains so under the bill.

Various criticisms have been made

against it. One is that it would overload already overloaded court dockets. This, in my opinion, is no argument. People have a right to access to their courts regardless of how crowded things are. If we don't have enough judges, we can provide more.

It is also said that the labor relations field is so complex that disputes in it should only be handled by experts.

But the field is no more complex than many others with which the judiciary deals regularly—finance, medicine and psychiatry, for example.

### The "new" NLRB

The point is also made that recent appointments to the NLRB and key staff positions, as well as some NLRB decisions, portend a shift toward a more balanced policy.

I think it is too early for firm judgments in that respect and I am not ready to back off from my bill. I believe the bill would do much to correct the imbalance in bargaining strength which has brought on an inflation so severe that it required the President to resort to wage and price controls.

The second area of reform I have proposed would begin with establishment of a commission to survey labor law.

Its goals would include methods of dealing with emergencies precipitated by strikes in such key industries as railroads. Congress has thus far dealt with these cases on a crisis-by-crisis, piecemeal basis. We should have a permanent plan before the nation is confronted with a strike which would be more crippling than any we've had.

The only external restraint on labor at this point is the knowledge that a strike threatening the national interest would touch off so angry a public reaction that punitive legislation might result.

I won't try to prejudge what recommendations the commission would make on every issue. Its goal should be modern legislation that would give the laboring man reasonable protection and at the same time protect the general citizenry.

I do believe, however, that an impartial commission would probably recommend measures to subject labor



to essentially the same kind of anti-monopoly controls to which businesses are subjected. Labor would no longer have the unfair extra power it receives when it is exempted from the rules.

Also, I would favor a requirement that a secret ballot be the only method of deciding union representation, and that there be periodic retesting to determine whether workers want to continue a union affiliation.

I happen to believe that the labor market should be competitive, and that the cost of labor should have some relationship to the law of supply and demand.

So I think it's high time we repealed the Davis-Bacon and Walsh-Healey Acts, which tell companies that get federal contracts what they have to pay their workers.

#### Protecting right-to-work

Though I might favor legislation to outlaw the union shop, as a practical matter I don't think that is achievable in the foreseeable future. My concern is to hold onto Section 14(b) of the Taft-Hartley law, enabling states to adopt right-to-work laws under which labor-management contracts may not make compulsory union membership a condition of employment.

The battle to retain Section 14(b) has been won for the present, at least, but it might have to be fought again.

My home state, Texas, has a right-to-work law and that has a great deal to do with the fact that Texas has one of the country's better labor-management climates, and attracts industry because of it.

One reason we have not been able to achieve reform of our labor laws is the political power labor wields.

Evidence of that power is the way labor has been able to bring about the almost annual defeat of proposals to prevent use of compulsory union dues for political purposes—which means workers are often required to contribute to candidates they actually oppose at the ballot box.

The problems with the NLRB arose principally because organized labor over the years pretty well dominated appointments to that agency, not so much by dictating who the appointees would be but, in many

instances, by exercising what was tantamount to a veto.

Another factor is the influence organized labor exerts on a wide range of social legislation, in addition to labor laws. Congress should look more closely at social program proposals that emanate from its labor committees, which also consider bills dealing with health care and education.

I, of course, do not dispute the right of union leaders to present their views on domestic legislation. But too often the bills reported out of those committees are identical, or nearly identical, to the original proposals drafted by labor.

These measures get a lot of attention. An example is the current hysteria over the so-called Health Security Act, sponsored by labor, which would completely nationalize the country's health care and health insurance systems. I am convinced this proposal has little popular or Congressional appeal.

But because of the political clout of organized labor, the Health Security Act is probably receiving more publicity than all the other health care proposals put together.

Businessmen are properly concerned about the over-all labor relations imbalance, but I'm not so sure they are ready to do something about it. Getting them involved politically is sometimes a very difficult proposition.

They fear reprisals if they turn up on the losing side. They think it might be bad for business if they get personally identified with a public controversy.

If the necessary reforms are going to be achieved, however, businessmen will have to be active in supporting for public office people who will work toward them.

You don't have any trouble getting a union leader involved in politics. Labor goes right down to the wire—win, lose or draw—fighting for what it wants. **END**

REPRINTS of "Labor Law Reform: Essential to Fight Inflation" may be obtained from *Nation's Business*, 1615 H St. N. W., Washington, D. C. 20006. Price: One to 49 copies, 35 cents each; 50 to 99, 30 cents each; 100 to 999, 17 cents each; 1,000 or more, 14 cents each. Please enclose remittance with order.

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It is also time for Congress and all agencies of government to evaluate existing programs by their measurable results and get rid of the deadwood programs that

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Will you, Mr. President and Members of Congress, face up to these needs?

Only *you* have the authority to investigate, hold hearings, ask questions and sit in judgment of these spending questions.

If *you* don't know where and how to stop spending, then you should set up the proper mechanism to find the answers.

If the citizens of the United States must struggle under economic controls then government should, in all equity, restrain its own actions, with emphasis on reduced spending and a restrained money supply.

It is time for government to cooperate with the American taxpayer in this fight against inflation.

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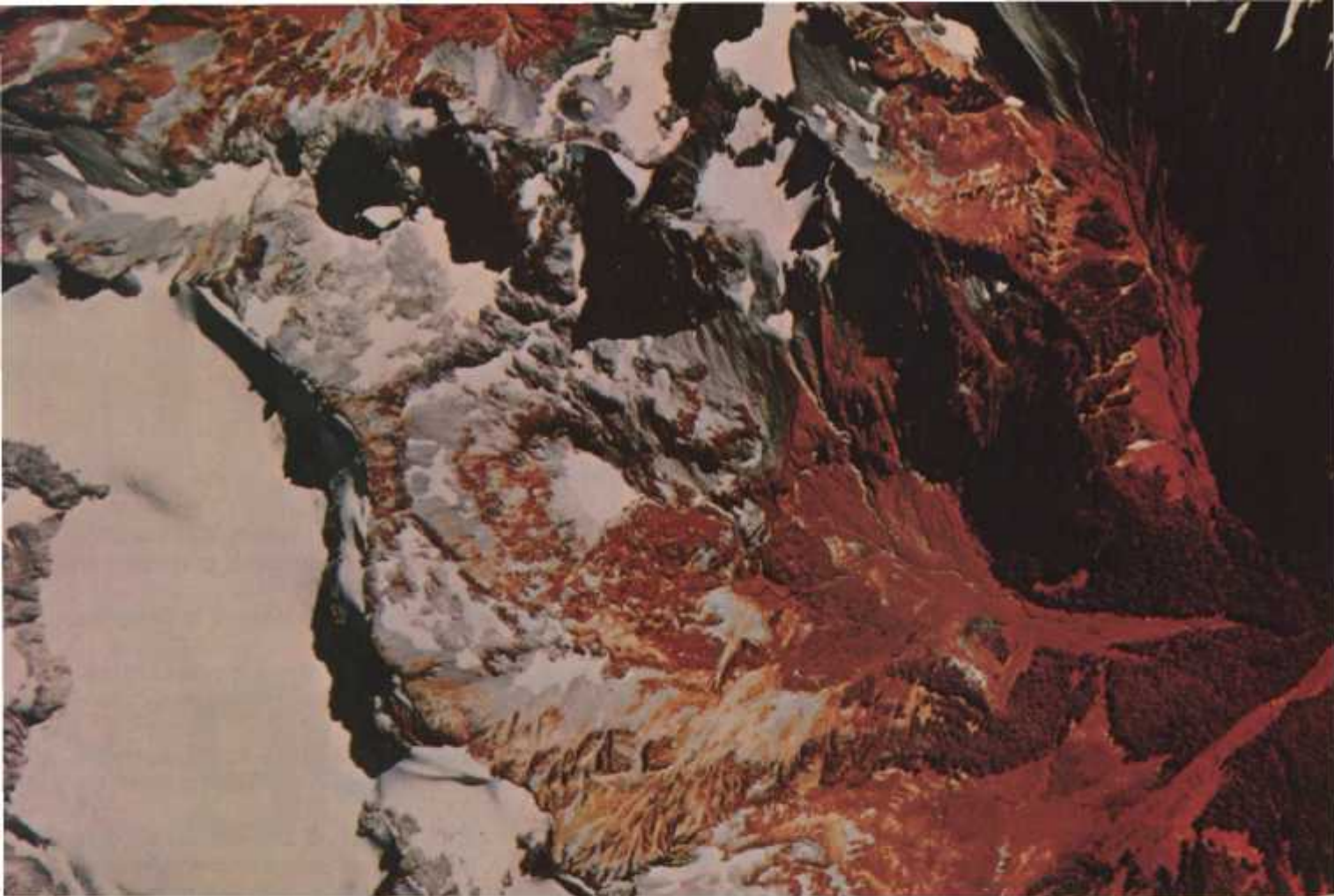
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Did these things really happen?

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U. S. Geological Survey personnel are now in the process of establishing the Sioux Falls facility. Known as the EROS (for Earth Resources Observation System) Data Center, it eventually will be staffed with about 150 specialists from the Interior Department and other federal agencies. Its purpose will be to provide the public with data about the earth's resources, gleaned from unmanned satellites.

EROS is a companion program to the National Aeronautics and Space Administration's Earth Resources Technology Satellite (ERTS) project, in which a series of satellites will be launched, starting next March.

Each satellite will look down with three TV cameras. One will record green light, to permit views of lands beneath shallow waters; another will record red light, to survey land use patterns; and a third will record near-infrared energy to survey land forms and water distribution information.

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These eyes in the sky will be placed in 500-mile-high orbits to provide coverage of any spot on earth every 18 days at exactly the same time of day. Each satellite will remain in orbit about a year.

The images and data acquired will

be transmitted to receiving stations at Fairbanks, Alaska; Mojave, Calif.; and Greenbelt, Md. At the Goddard Space Flight Center in Greenbelt, all data will be put on TV tapes or photo negatives and sent to the EROS center at Sioux Falls.

### Just a phone call away

The current EROS facility is a temporary one. Eventually, after a permanent center is built, the data will be beamed directly to it.

Mapmaking computers at the center will ingest the information, translate it into photo form and make it available to the public, along with data acquired from ground and aerial surveys. Charges will be nominal—the cost of reproduction. Requests can be made by mail or telephone.

Advisory and interpretation service will also be available upon request so laymen can learn from experts how they might use the information to satisfy their particular requirements. There will be fees for this service. However, no strings will be attached; all data will be available to anyone who asks.

EROS' permanent facility will be located 10 miles north of Sioux Falls on 300 acres given to the federal government by the people of the area (the economic activity surrounding the data center is welcomed by local businessmen, among others).

Its first component will be a \$5 million building erected by the Sioux Falls Industrial Foundation, which the federal government will lease. At the end of 20 years, ownership will



## Pick Up the Phone and Learn the Earth's Secrets *continued*

revert to the government. Completion is scheduled for the summer of 1973.

The EROS program's vast potential comes from the relatively recent development of sensors that can detect and identify objects from great distances. Matter in its various forms—water, vegetation, rocks, animal life, etc.—absorbs, emits, transmits, reflects or scatters photons, the basic units of electromagnetic energy. Because each type of matter has a different atomic and molecular structure, they produce distinctive "signatures" in the sensors' receiving apparatus.

Remote sensing devices—infrared, radar, electromagnetic—are a spin-off of the nation's many aerospace programs. The Viet Nam War has also produced a share of the technology involved, in the form of now-declassified electronic surveillance systems.

A major advantage of electronic sensors over conventional photography is that some of them can obtain "signatures" of earth resources and interrelated environmental features through clouds, darkness, vegetation, water or soil.

For example, oats can be differentiated from wheat; iron can be distinguished from copper; fish can be seen beneath water's surface.

With such detection capabilities, the application possibilities are phenomenal.

The world's crops can be inventoried. The effects of forest fires, floods, insect infestation, earthquakes and volcanic eruptions can be quickly assessed (and impending volcanic activity can be detected before eruptions).

Urban planners will be able to pinpoint areas of deterioration. The total effects of pollution on air, water and land, and its sources, can be studied.

In a short time, the entire world can be mapped accurately.

And even more significant, perhaps, will be man's capability to locate, assess and catalog resources hidden beneath the world's water and land masses.

### Astronauts paved the way

The nation's scientists, after many years of experience with sensors mounted in aircraft, have great confidence in the EROS program. They became truly excited about satellite



*Using conventional aerial photography, it's often impossible to pinpoint a forest fire because heavy smoke blankets an entire area.*

potentials after studying filtered photographs of the earth taken by Gemini and Apollo astronauts. Some of the discoveries:

- A fisherman illegally dredging oysters in Galveston Bay.
- A trace of a fault, near Charleston, S.C., that may have caused a major earthquake in 1886.
- Errors in maps of the Marshall Islands in the Pacific.
- A potential copper lode near the Arizona-New Mexico border.
- Confirmation of theories about river sedimentation in the Northern Hemisphere.

Says William A. Fischer, EROS program manager for the Geological Survey:

"We have already identified several hundred practical uses for this new space capability. Almost every day we learn of still others which the combined computer, electronic, photographic and spacecraft arts may soon make possible."

But Mr. Fischer is cautious.

"Users should not expect miracles from EROS," he says. "There will be a learning period during which we will have to verify the space information by aerial photography and ground surveys. The satellite should be considered an addition to our box of resource measurement tools—not a replacement for them."

Remote sensing's value to farming is recognized by Secretary of Agriculture Clifford M. Hardin, who says: "Data collected by sophisticated cameras and other instruments carried by planes and satellites will enable early detection of crop diseases such as corn blight. Insect infestations of fields and orchards can be spotted in time to prevent widespread damage."

Corn blight appears dark in infected fields on infrared film while healthy corn shows high reflectance. Using "multispectral" techniques, it may soon be possible to detect the spread of this and similar plant diseases while





*An infrared photo of the California fire on the preceding page cuts through smoke and gives the precise location of the 1,000-acre blaze.*

they are actually being borne by the winds from infected to healthy areas. This will enable farmers downwind to protect their crops well in advance.

Agricultural Research Service scientists estimate remote sensing can reduce disease and insect detection costs by a third. In addition, they say, the new technique can be of great economic value in determining range conditions, water resources, water pollution, soil types, and fertility deficiencies.

#### **Where the poppies grow**

One related possibility is control of drug traffic through remotely sensed surveillance of the world's opium poppy-growing areas. Crops spotted from space could be destroyed before they were ready for processing into opium.

Though Department of Housing and Urban Development officials think they will be able to use satellite-gathered information to predict urban deterioration, they feel its use is many

years away. Charles F. Withington of the Geological Survey is at work on developing necessary techniques. An expert in infrared analysis, he is comparing high altitude aerial photos of urban areas taken over a period of years.

"Quite possibly we will be able to pinpoint neighborhoods headed for decay long before city fathers do," he says. "For example, when people let a neighborhood run down they leave more garbage lying around and they water and fertilize their lawns less. Over a number of years photos taken during the summer months are going to show this."

Infrared photographs show healthy growing matter as a rich red. Less healthy vegetation is readily detectable by comparison.

Infrared's ability to reveal the growth of oxygen-consuming algae in streams was vividly shown on NATION'S BUSINESS' cover for January, 1971. This type of water pollution is

one of the prime concerns of the Environmental Protection Agency.

EPA Administrator William D. Ruckelshaus observes that "when fully developed, satellite-borne sensors may play an important role in environmental surveillance systems" and adds that "it may be possible to detect and monitor oil spills, algal blooms, red tide outbreaks, developing smog conditions and other similar problems."

#### **Satellites and sovereignty**

Since the satellites will be scanning every spot on earth, there is concern in some nations that the inventory of their resources could be to the ultimate disadvantage of their economies.

But William A. Chapin, EROS project officer in the State Department's Bureau of International and Technical Affairs, feels that "reluctance of foreign nations is diminishing" in regard to resource satellites. "Knowing that resources are there," he says, "doesn't mean that they can be exploited."

The Geological Survey's Mr. Fischer cites the atmosphere at a meeting last May at the University of Michigan's Ann Arbor campus of the International Workshop on Earth Resources Survey Systems.

Representatives from 51 nations, including the Soviet Union, were present, and Mr. Fischer says he doesn't recall the question of sovereignty being raised at any time.

The U.S. will make EROS information available to all. Foreign nations will be able to obtain resource information about their own or any other country.

And anyone with the money to build a receiving station will be able to freely record the data when it is being transmitted to the U.S. stations. Canada plans to have an antenna complex, in Saskatchewan, ready for the first satellite launch.

President Nixon enunciated national policy before the United Nations in September, 1969. "I feel it is only right that we should share both the adventures and the benefits of space," he said. He added that "this program will be dedicated to produce information not only for the United States but also for the world community."

—C. V. GLINES



**Bye-Bye,  
Baby  
Boom**





Suddenly, after all the talk about a population explosion, experts are saying we're approaching a zero growth level! What are the prospects for business?

Ward Beck, manager of developmental planning for General Mills, Inc., put through an emergency call from Minneapolis to the Center for Metropolitan Studies in Washington, D. C., early one day last September.

George Grier, senior associate at the Center, had touched off newspaper headlines all over the country by reporting that the United States was approaching a level of births which would lead to "zero population growth."

American women were suddenly and surprisingly having fewer babies than at any time since the all-time low of the Depression.

Mr. Grier's statistics (derived from Census Bureau computer read-outs) showed that the national birth rate had plummeted and—most important—that the lifetime fertility rate of women was approaching 2.1, a figure that meant the average woman would have two children, just enough to replace herself and her husband. (The added .1 would take care of premature deaths.)

The prospects for business were hazy—and possibly frightening. General Mills makes breakfast cereals, 75 per cent of them consumed by youngsters, and, as Ward Beck was intensely aware, it had also just bought a toy factory.

Like tens of thousands of other businessmen, from the manufacturers of swings and seesaws to the retailers of baby blankets and booties, General Mills executives had been counting on the predicted "baby boom" of the Seventies to provide expanding markets for the next 20 or more years. The assumption had been well nigh

universal; as recently as June, a national news magazine had hailed the "biggest baby boom" as fact.

Mr. Grier's research showed that right now, at least, this simply wasn't so. The anticipated boom had turned into a baby bust.

For weeks after the first news stories, the Center's phones rang constantly—calls from hundreds of concerned professionals and businessmen, including a toy manufacturer in Australia; from the Governors of California, Pennsylvania and Ohio; and from scores of colleges and universities.

What was happening, or rather what was not happening, in the home?

Were women really about to stop having traditionally sized families?

What would it mean if they did—to manufacturing, to sales, to college enrollments, to city planning, to the American way of life?

#### Consensus on the census

Interviews with Mr. Grier and other sociologists, as well as with statisticians and demographers, show agreement that:

- The future population picture remains uncertain. Since baby booms clearly do not follow schedules, baby busts may not either. The current bust—and we're definitely in one—may continue, may become more pronounced or may reverse itself and turn into a new boom. Some hard observations, however, can be made.
- Past Census Bureau projections have proved to be grievously wrong, overestimating the Seventies' population by millions of babies.
- There are now fewer children under

five than at any time in 20 years. This fact alone is having and will have real market consequences. Now there are fewer customers for cradles and tri-cycles. Fifteen years from now there will be fewer teen-agers, and that will hurt sales of such things as textbooks and fad clothes.

• Current statistics suggest that the country will reach zero population growth within the lifetimes of people now among us. They suggest, though much less strongly, that we could hit ZPG much sooner. The economic consequences, pleasant or disastrous, depend on the speed of the transition.

Mr. Grier's figures and conclusions are more subtle and less alarming than some of the headlines have suggested.

Statistics that became available after those headlines were written indicate that women have already reached the 2.1 fertility rate, he says. But even if this is true and if this level persists, he adds, the population will continue to grow for some 60 years.

There are now more women of childbearing age in this country than at any time in previous history, and most have not yet had their full share of children.

#### The climb that flopped

The fertility rate (an estimate of the number of children the average woman will have in her lifetime, based on current births among women of childbearing age) and the birth rate (a cruder indicator—the number of births per 1,000 of population) climbed steadily from 1947 through 1957.

In 1957 the fertility rate was an



## Bye-Bye, Baby Boom *continued*

astounding 3.7. Since then, both rates have dropped almost steadily.

The drops had been somewhat anticipated by demographers but they had been universally certain that the birth rate would begin going up in 1968 and continue upward for a long time to come.

The rate started its climb in 1968 and continued through 1969 and 1970. But this year, suddenly, flying in the face of all indicators, it has nosedived—in absolute terms as well as relative ones.

The prospects now are that final figures may show fewer babies born in the United States in 1971 than at any time since 1946.

And, it must be emphasized again, this is occurring at a time when there are more women in the childbearing years than ever before.

Dr. Jean Pakter, director of the Maternity Services and Family Planning Bureau of New York City, says an expected "boom" there "just isn't happening." Indeed, in the first six months of 1971 the number of births in New York City actually declined by 6 per cent.

A recently published report shows that Montgomery County, Md., an affluent dormitory community outside Washington, reached the 2.1

fertility level this summer. Montgomery has particular significance for businessmen—it is one of the richest counties in the nation, often cited as one of those with the highest per capita income; its people are affluent consumers by definition.

Preliminary statistics from across the country and from all levels of income show that the downward movement is universal—the poor as well as the rich, the black as well as the white, are having fewer babies all the time.

Other experts agree with Mr. Grier that this possible "transition" to zero population growth is no cause for real alarm—that the population would continue to grow for at least a couple of generations, increasing by some 50 per cent to 300 million, and then would level off.

Many scientists in the field consider this prospect ideal from almost every point of view.

Stephen Enke, of TEMPO Center for Advanced Studies, a research group funded by General Electric Co., says flatly that "business in general has nothing to fear from a decline in fertility; a typical individual participating in business . . . should expect a long-term decline in fertility to increase perhaps his own income

and more assuredly the incomes of his children and heirs."

Dr. Enke told the President's Commission on Population Growth and the American Future in September that even an "unrealistic" decline, achieving 2.1 by 1975, would still "benefit rather than injure business."

### Time to adjust

Mr. Grier, who, as previously noted, has now concluded that the country is already at 2.1, says that if it stays at that level the economy will still have plenty of time to adjust.

The relative shortage of infants obviously will affect firms that make baby products, but diversification will soften the blow for many of them. Johnson & Johnson, for example, sells more baby oil and powder than any other manufacturer; but such sales are only a small part of its total volume.

"If the fertility rate levels off at around 2.1, we could begin to have an almost ideal economic situation," Mr. Grier says. "The median age would be rising and there would be more producers and fewer young dependents. The gross national product would go up for that reason alone."

There would, of course, be more per

## Births and Economics: A Mystery Story

The approach to zero population growth is not new; we've been approaching it, despite temporary fluctuations, for well over 200 years.

In Colonial America the average woman had eight children, a rate which kept the population steadily expanding. The high death rate then, particularly among the young, kept it from exploding.

Now the average American woman is having slightly more than two children—men and women are just about reproducing themselves. The death rate has apparently stabilized—it has remained at almost the same level for 20 years.

The effect of falling birth rates on economics and vice versa are still not fully understood.

It is, for example, a commonplace

to say that during the Depression "people almost stopped having babies." In truth, their baby-having had slowed down long before the Depression.

The fertility rate was well over 3.0 in 1920—the average woman was having between three and four children. By mid-decade the rate was down to 2.8. And by 1929 (the stock market crash that signaled the Depression didn't take place until October of that year) it was 2.3.

The real drop took place during the prosperous Twenties. During the Depression, the fertility rate bottomed out, dipping briefly to 2.0 but hovering around 2.2.

In 1937, though the Depression was lingering on, it began to climb. It did so, except for the zigzag pro-

duced by World War II, until 1957 when it hit 3.7 before once more starting on a downward slope.

It is now just about back down to the all-time low. Why? No one knows. Increasing availability of almost foolproof birth control methods is presumably a factor, as is a trend toward legalization of abortions. The latest severe dip may have been made more severe by last year's business slowdown. The attitudes of young people—many of whom say they do not intend to have more than two children—are perhaps very significant.

There are, one can safely say, large numbers of factors at work which influence the size of families. At the moment, at least, they add up to fewer babies.



capita consumption, as well as production.

Mr. Grier believes it would take a sustained effort by both business and government to adjust to the new challenges but he is sure both are fully capable of making it.

Money that has gone into a frenzied building of more and more elementary schools and the training of more and more teachers could be used, for example, for the benefit of the broader population—whole new businesses could be built in pursuit of such goals as the conversion of a polluted river into a clean water recreation and resort center.

There would also be other predictable results.

With the median age rising from the twenties to the forties, Mr. Grier feels, the political tone of the country would almost certainly be more conservative.

There would also be notable cultural changes—for example, teen-age-type music would fade. There would almost certainly be a drop in the level of crime, particularly crimes of violence, since almost half are committed by men in their late teens or early twenties.

Mr. Grier says the prospect for a sort of "golden age" of affluence is good but not certain. If the population rates get on a roller coaster, shoot down for a while and then shoot suddenly up for a spell, adjustments would be much more difficult.

### "Instant ZPG"

There is also a third possibility.

The fertility rate could continue rapidly downward, to perhaps 1.5, and we could get what Mr. Grier has called "instant ZPG." At that rate the number of births could equal the number of deaths around the end of this decade. (The death rate has remained almost steady for many years and no wild fluctuations seem probable soon.)

Mr. Grier believes this kind of abrupt population stabilization could have disastrous results, since the economy would not have time to change—makers of baby foods wouldn't be able to move over into health foods fast enough.

"I don't think instant ZPG is

likely; at least I hope not," Mr. Grier says. "But there is an outside chance that it could happen."

"With the powerful birth control methods we now possess, coupled with sufficient scare propaganda about imminent overpopulation and the glamorization of ZPG itself, we could panic our impressionable young adults into something approaching it, at least temporarily."

"We could, at least temporarily, short-circuit the psychological drive to reproduce by brainwashing people into the belief that reproduction is antithetical to the survival of the race."

Demographers almost to a man refuse to give the possibility of "instant ZPG" serious consideration.

### Cause and effect

One who discounts it completely, Dr. Philip M. Hauser, director of the University of Chicago's Population Research Center, also insists that it is too soon to make any valid assumption about the cause of the current precipitous fertility decline.

He believes the recent business slowdown may have been a significant factor and says he does not think the wider use of birth control devices and the relaxing of laws against abortion can account for more than 10 per cent of the drop.

Meanwhile, Mr. Beck at General Mills is not pessimistic.

He says he and other company officials "just don't see the kind of a fertility drop that would seriously damage the economy" and he accepts the idea that a transition to ZPG could be a boon.

"There is no questioning the statistics," he says. "They don't lie. What we have to see now is if this drop is of a continuing nature or just a quirk."

And to help it see the future of the baby market clearly and quickly, General Mills has retained Dr. Norman B. Ridder, professor of sociology at Princeton and codirector of the National Fertility Center, and Ben J. Wattenberg, coauthor of "The Real Majority," as special consultants.

The information they'll be looking for, Mr. Beck says, is "very important to General Mills."

—TOM KELLY

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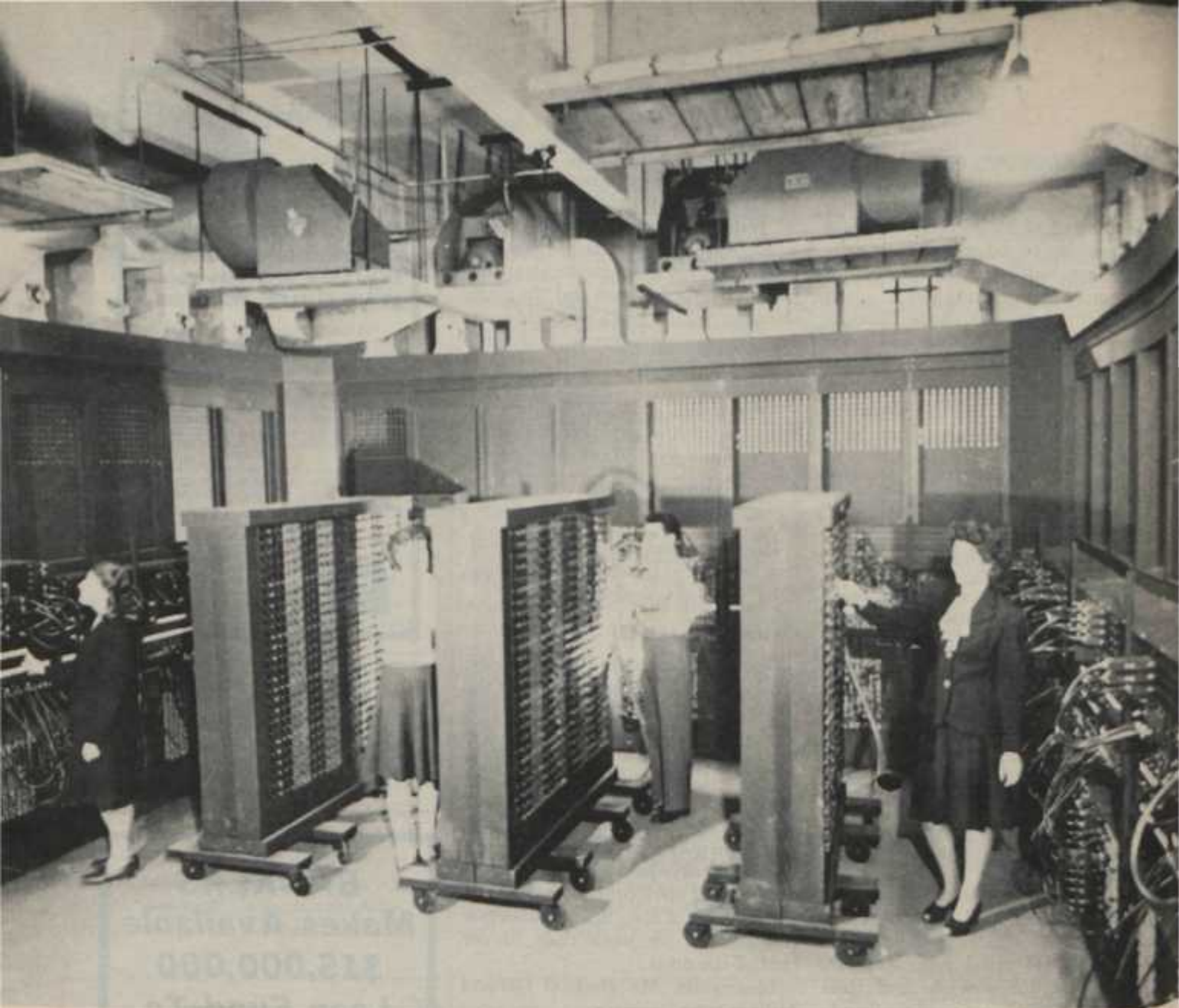
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*This is ENIAC, granddaddy of the electronic computers of today. When this very first one was completed, it took a lot of space—and needed a lot of people. But it did the job and opened up a brand new world of technology.*

## The Little Known Creators of the Computer

Two young men, less than a generation ago, invented an electronic marvel which is having a revolutionary impact on the world; this is their story of that invention

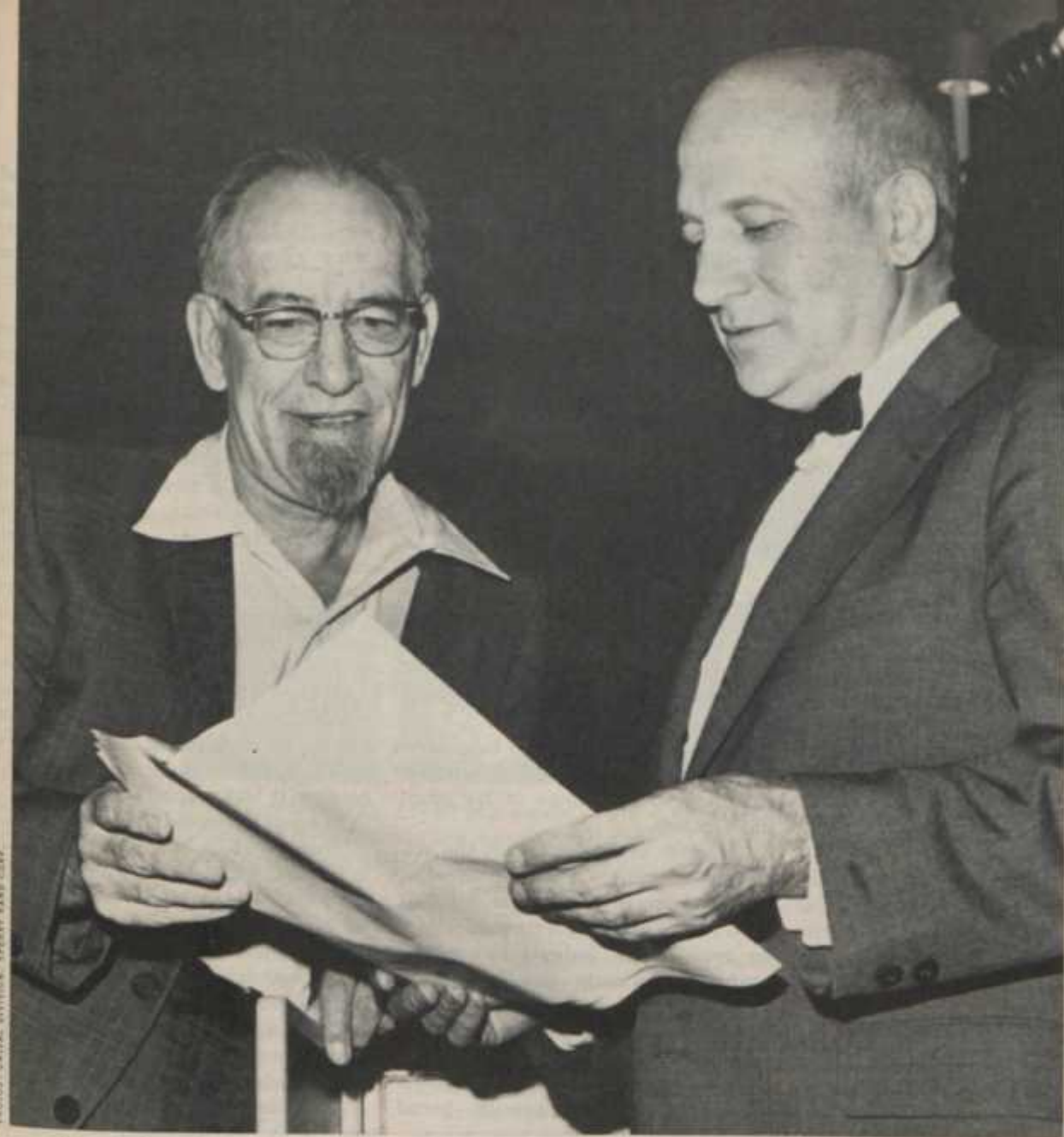
When khaki-clad GI's landed on the sandy beaches of North Africa in the fall of 1942, it was great news to America.

The dark days following Pearl Harbor seemed over. America was no longer on the run. It was fighting back in a big way.

But to the hard-working crew at the "Whistle Factory," an irreverent nickname for the Moore School of Electrical Engineering in Philadelphia, the news meant the workers were going to have to roll up their sleeves even higher.

During World War II, the school played a vital, if little known, role. It was one of the centers for compiling





*"I think neither of us could have succeeded without the other," says John W. Mauchly (left), shown here at a reunion with J. Presper Eckert. The two men developed the electronic digital computer as a World War II project.*

firing and bombing tables for our armed forces.

Without firing tables, artillery is virtually useless.

The tables tell the battery commander at what angle to elevate his gun, and how much powder to use, to hit what he's aiming at. Every type of gun takes a different set of tables. So does every kind of shell.

In the field, firing tables for a single artillery piece sometimes came in a thick, pocket-size book.

And America, the "arsenal of democracy," was making guns faster than it could crank out tables needed to fire them.

Why? Because this task was one

that involved laborious calculations. They took time—and time was short. Aberdeen Proving Ground, the Army's giant ordnance center in Maryland, had a big crew grinding away on the problem. But Aberdeen had to call on outside help.

One place it turned to was the Moore School.

Part of the University of Pennsylvania, the school was located in a solid, two-story brick building which once was the home of the now defunct Pepper Musical Instrument Co. Hence, to some faculty members: the Whistle Factory.

The Moore School hired and trained more than 100 women to help

do the calculations for Aberdeen. They smoothed out calculations made on a big mechanical differential analyzer.

Some of them worked in the school building. But it couldn't hold them all. Others occupied desks in a town house three blocks up the street.

There were two shifts. When one got up from their hand calculators, the second shift sat down at them.

Even working virtually around the clock, they weren't making much of a dent in the backlog of computations.

Then, in North Africa, artillery commanders found their tables didn't work too well. Many were based on data compiled at the Aberdeen firing



## The Little Known Creators of the Computer *continued*

ranges. North Africa's soil and climate—affecting recoil and trajectory—weren't much like Maryland's. Some tables weren't a very close fit.

That meant more work, rejiggering the tables.

What the time cried for was a computer, like those we have today, that would bat out these complex calculations in seconds—not weeks.

It was against this background of desperate wartime need that two men crashed ahead with an idea. World War II was over before they finished, but they developed a machine that has had an impact on everyone's lives.

Based on their recollections, here is their story.

### Right time, right place

When Patent No. 3,120,606—for the world's first electronic digital computer—was issued to John W. Mauchly and J. Presper Eckert, talent took a bow.

But luck was there, too.

ENIAC (electronic numerical integrator and calculator) was the brainchild of two people unlike in many ways, but each gifted with special skills that in this instance meshed perfectly.

To conceive of how the machine would work required a combination of skills—mathematics, statistical analysis, physics and electrical engineering. Dr. Mauchly was skilled in the first three disciplines. Dr. Eckert was the talented electrical engineer.

Both were bright, both were young—Dr. Eckert, 22, and Dr. Mauchly, 34—and both were only sons.

But they came from different worlds.

That their paths met at the right time in the right place—the Moore School in 1941—was a coincidence which some might consider too unlikely for fiction.

John Mauchly, born in Cincinnati, grew up in Chevy Chase, Md., a suburb of Washington, D. C.

He lived on East Bradley Lane, in one of the small, two-story homes, frame and brick, that line that dead-end street. Chevy Chase generally is upper crust. But then, as now, a Ford would be more at home there than a Cadillac.

"The important people who lived

on Bradley Lane," Dr. Mauchly says, "lived a couple of blocks away, near the Chevy Chase Club. I used to caddy there as a boy, and at Columbia Country Club."

"My father was a scientist, and all the scientists in Washington seemed to live around there."

"Many worked at the National Bureau of Standards. It was a couple of miles away. My father was a physicist at the Department of Terrestrial Magnetism, part of the Carnegie Institution. It was even closer—within walking distance of home."

His father is still remembered at the Department of Terrestrial Magnetism as the man who discovered the "universal 24-hour term in the diurnal variation of the potential gradient of the earth's magnetic field."

When it was time to go to college, John Mauchly ran into a problem that dogged him most of his adult life—money.

"In spite of the fact that the scientists around there were numerous, and had good prestigious jobs, it didn't seem like they were paid a lot," he recalls. "In today's money, of course, it sounds like peanuts—\$4,000 a year. I didn't expect my father to be able to pay my way."

He won a state scholarship to the engineering college at Johns Hopkins University. But engineering bored him.

### In father's footsteps

"It was cookbook stuff," he says. "You were told to design a girder to bear so much weight. All you did was look it up in a handbook—so many rivets, so big and where they went."

"It was nowhere near as interesting as the work my father was doing—or all those other physicists."

He lined up a scholarship, that paid tuition only, in the physics department.

"But I couldn't decide," he says, "whether I wanted to be a theoretical physicist or an experimental physicist. Did I want to go in the laboratory and mess around with things, or sit at a desk somewhere in an ivory tower and push a pencil around and think great theories?"

"So I decided to do both."

"Molecular spectroscopy was sup-

posed to be the coming thing. We had solved the problems—this was in the early 1930s—of a single little itty-bitty atom. But clustered in the molecules, it was much more complicated."

"It sounded good to me, because the first thing you have to do is go down in the laboratory and do the physical experiments—to get a photograph of the spectrum."

"So I learned how to blow my own glass tubes, how to work the vacuum equipment, how to make high voltage sparks and how to sensitize plates, expose them—and go in the dark room and develop them. All the messy, grimy stuff that an experimental guy has to learn."

"Then I'd go and measure the lines. And then I'd have to compute the results. And all we had to do it was a little Marchant desk calculator. We called it the 'lima bean calculator,' because it had a handle like one."

"I spent thousands of hours on it."

Then, in 1932, 25 years old, Ph.D. in hand, John Mauchly was ready for the world. But it didn't seem anxious for him.

He worked for a year at Hopkins as a research assistant, then landed a bigger, better job.

Ursinus College, a small private school, some 25 miles from Philadelphia, needed someone to head up its physics department. The school inquired at Hopkins, and the physics department there encouraged Dr. Mauchly to go after it.

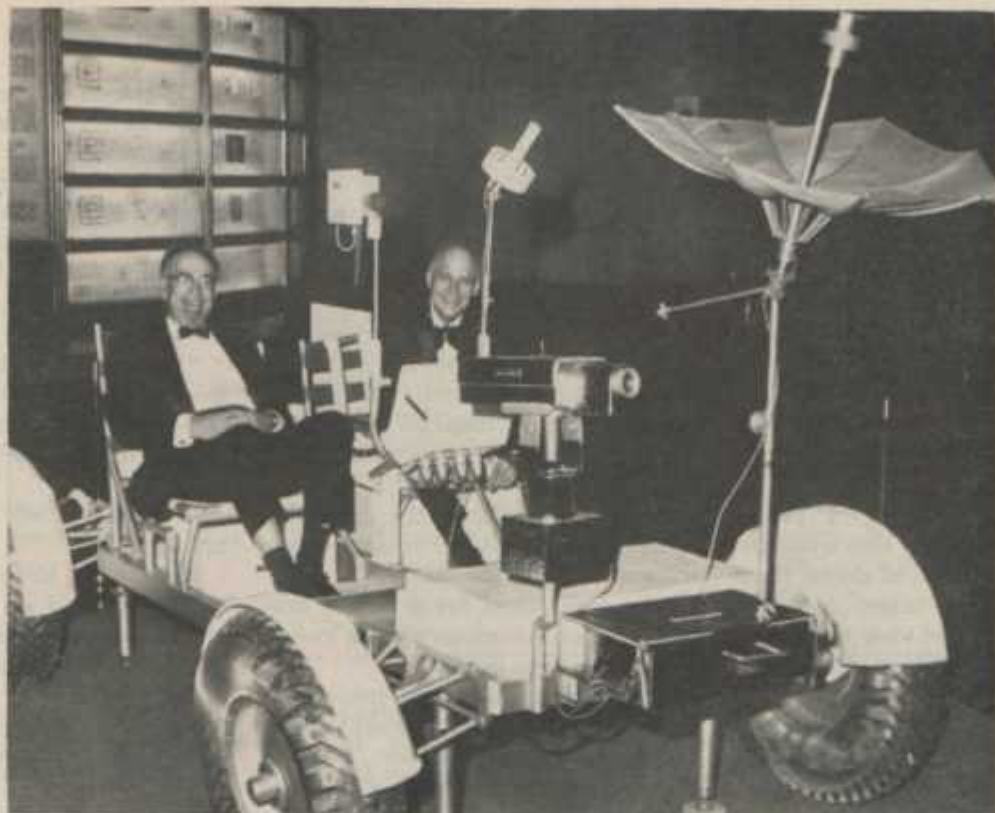
"They offered me the job," he says, "and later on I discovered that what impressed them most were the names on my references."

"I got one from the president of Carnegie Institution, whom I hardly knew—but my father had worked there. And from the pastor of the Chevy Chase Presbyterian Church and even from my high school principal."

At Ursinus, he was not merely head of the physics department at \$2,400 a year. He was the department. It had a one-man faculty, and he was it.

He spent eight years there. During that time he developed great interest and expertise in statistics and meteorology—both fields that involved long, tedious calculations with the equipment available to him. He





*Dr. Mauchly and Dr. Eckert in a model of the Apollo Lunar Rover which would not have reached the moon without the aid of the computer. Hundreds of computers are used for our lunar flights and other space travel.*

began experimenting with ways to count electronically.

The same September that John Mauchly joined the faculty at Ursinus, Presper Eckert was a high school freshman at William Penn Charter School in Philadelphia.

Penn Charter is the oldest boys' school in the United States. It was founded by William Penn in 1689.

#### **Son of "Johnny Rusher"**

Presper Eckert grew up in Philadelphia's Germantown section. His father had a large home there.

J. Presper Eckert Sr. was a self-made man. His mother died when he was 15, after a long illness that drained the family's fortunes. His father was forced to sell his printing business, and he quit school to go to work.

As a young man, he was such a go-getter that the family called him "Johnny Rusher."

He got his high school diploma from the International Correspondence School and studied law at Temple University. He bought lots in New Jersey, with financial help

from a prosperous uncle, and became a successful builder.

J. Presper Eckert Jr., unlike John Mauchly, wasn't a chip off the old block. Science was his bag, not business.

At the age of five, he was drawing sketches of radios. Not much later, he was building them in his basement.

"Philadelphia was the heart of the electronics industry, when I was growing up," he points out. "Philco was the biggest radio set maker in the country. It was there. So was Atwater Kent.

"Less than a mile from my first home was the laboratory of Philo T. Farnsworth. He was really the father of TV, a young genius who was awarded most of the basic patents.

"I used to go to his lab once in a while, when I was in high school, and help wire things up. I don't remember whether I was paid in money or parts—one was as good as the other."

In 1937, he enrolled in the electrical engineering course at the University of Pennsylvania. He got his bachelor's degree in June, 1941.

The Moore School offered the

bright young engineer a graduate fellowship—tuition and \$400 a year.

He accepted and served, also, as a lab instructor in a defense training course. Its purpose: To give some training in electronics—which had many military applications—to scientists who were on the fringe of it or needed refreshers.

"The object," as Dr. Mauchly describes it, "was to convert any scrap that was lying around into something useful."

#### **Paths cross**

Some 60 signed up for the course—mostly mathematicians, and one physicist with a Ph.D., John Mauchly. He and Presper Eckert met in the lab. He was impressed with the 22-year-old lab instructor.

"Even though Eckert had just gotten his bachelor's degree, he'd already built a lot of electronic equipment, and he already had a patent on a TV scanning device," Dr. Mauchly recalls.

"He didn't make top grades, but some people don't—because their heads are so full of interesting things



## The Little Known Creators of the Computer *continued*

to think about and interesting things to do."

The two men did plenty of thinking together about interesting things.

"Eckert hadn't a great deal to do in the laboratory," Dr. Mauchly says. "He'd give people assignments and they'd fool around with the apparatus as part of experiments. I didn't have to do them all."

"So he and I had time to sit there and chew the rag."

"And what was I interested in? Computing machines!"

"During that summer, I pretty well threshed out with him what the possibilities might be of doing these things with vacuum tubes."

"He had a point of view which was rather rare in those days in electronics. He felt that if you designed the circuits right, you could avoid reliability problems—like tube failures—people were always confronted with."

"It didn't scare him to think about something that might have a couple of thousand tubes in it. But most people were scared as hell of it."

"After all, a radio has maybe five to 10 tubes. And sometimes those don't work. In a computer, they all have to work. If one digit goes bad, you're sunk."

When the summer course was over, the Moore School offered Dr. Mauchly a post on its faculty. He took it.

### Into the round file

In August, 1942, with the nation at war, Dr. Mauchly wrote a memo proposing that an electronic computer be built.

"It depended quite largely," he says, "on information about the practicality of this which I gained from talking to Eckert."

His secretary made an original and six copies. He gave them all to other members of the faculty. Nothing happened.

The next spring, the Army sent a new expediter to the Moore School.

"He was a young Army lieutenant," Dr. Mauchly says, "who was trained in mathematics and had a Ph.D. from the University of Chicago. He had a scientific slant, and a lot of drive. We talked and he said something like: 'By golly, I don't know why we shouldn't be doing that!'"

"At Aberdeen, he told us, they might spend a million bucks to build a tank and, if they found it no good, scrap it."

"His attitude was: Why couldn't we do that with this? If it didn't work, scrap it. And if it did, we were in."

"He asked if I had a write-up. I said I did. But neither my secretary nor I could find a copy of my old memo. I'd given them all away. And they all wound up in the round file—or somewhere."

"My secretary had her notebook, though. And she typed up a new copy without missing a word."

Aberdeen asked for a formal proposal. When Aberdeen's brass looked at it, there were doubters.

"But one of the men involved," says Dr. Eckert, "was Oswald Veblen, the famous mathematician. He was a consultant to Aberdeen's Ballistic Research Laboratory."

Veblen was for it.

And they went on his say-so.

### One of the great bargains

By June, 1943, a research and development project was under way, on a \$62,000 contract. It was the first down payment on a venture that finally cost about \$400,000. And that was one of history's greatest bargains.

For the computer, more than the electric light, airplane, TV—U. S. inventions all—changed the world. Its effect has been revolutionary on research, on technology, on business... and there's much more to come.

Why were there doubters about its success?

Partly because it was a very ambitious project. And the doubters at Aberdeen had company.

For example, one of the most noted scientists of the time, the brilliant nuclear physicist Enrico Fermi, a Nobel Prize winner. He was one of a band of scientists working to build America's A-bomb.

Like other scientists, Dr. Fermi was painfully aware of the need for a high-speed computing device.

As word of the Moore School's project circulated in scientific circles, Dr. Fermi became curious.

How many tubes did the computer have, Dr. Fermi wanted to know.

"Eighteen thousand," he was told.

Dr. Fermi paused for a little mental arithmetic.

For some time, physicists had been using what they called scaling circuits to count cosmic rays. These electronic devices detect and count up to a million a second—give or take a few cosmic rays.

"In our scaling circuits," Dr. Fermi said, "we have about 100 tubes. And the circuits fail X number of times a day. Multiply that failure rate, per tube, by 18,000."

"I doubt it will go long before it breaks down."

Recalls Dr. Eckert:

"But even if we could use it only one hour a day, we could get enough work out of it to make it well worthwhile."

"Remember, this thing could do 5,000 additions or subtractions a second. It was 1,000 times faster than anything else that existed. In fact, since we had duplicate circuits, it could do 20,000 a second."

"In an hour's time, it could do as much work as the Moore School's mechanical analyzer and the teams of people using desk calculators could in two months."

"Actually, when it was finally finished, it broke down only about one hour every other day—far less than Dr. Fermi's estimate."

### Housewives on the line

By any yardstick, it was a tiny group that had taken on the task of building ENIAC.

"About 10 engineers and mathematicians," Dr. Eckert recalls, "and maybe a couple of dozen others—including housewives—on the production line."

"We had some local telephone men who worked part-time. They gave us damn good wiring. They were fairly slow, but neat and accurate. And that's what we really needed—accuracy."

People came and went day and night in the big room where ENIAC was being designed and built.

"It was a free-for-all sort of thing," one participant recalls. "People came in when they pleased. They might show up at 11 a.m.—then work until midnight. In fact, the work went on almost 24 hours a day."



Luckily, both Drs. Eckert and Mauchly "were night owls," recalls a colleague. "Often you'd find them together at midnight, or even 1 or 2 in the morning, in that big barn of a room. They'd talk anywhere they happened to meet. What they talked about was how to do something, how to solve a problem."

Says Dr. Eckert: "At first, we weren't certain the electronic computer would become a reality. We had faith we could build it—or we wouldn't have proposed it. But we didn't have any hard evidence that we could."

high a speed." With these circuits, ENIAC could add two 10-digit numbers—say, 1,234,567,890 and 4,567,890,123—in 1/5000th of a second. It could also multiply, subtract and divide at lightning speed.

#### What next?

But that presented another problem. How could it do all these things without being slowed down by a human operator?

"Obviously," Dr. Mauchly says, "adding 5,000 times in a second doesn't do much good if—after each addition—it's got to stop and ask a

"We started kicking it back and forth.

"This was the beginning of developing the idea of sub-routines."

Since ENIAC was a research and development project, it had a low priority on scarce wartime supplies.

Someone had to go to the Signal Corps to scrounge vacuum tubes.

Transformers also proved a problem. One big supplier struck out. He'd had to hire a lot of new people—because of the war—and his product wasn't up to snuff. A little firm in Trenton, N. J., filled the bill.

ENIAC's designers needed a lot of

#### What's the computer's future?

Its uses in the technology explosion are legion and growing. There undoubtedly are many uses man has never dreamed of. On the other hand there are many of which he is thinking right now.

In a recent discussion of the future of the computer industry with Gerald G. Probst, president of Sperry Rand's Univac division, Robert E. McDonald, executive vice president of Sperry Rand and former president of Univac, commented: "For some time computers have been booking seats

for passengers throughout the world. Now they're taking over a more important role in the traffic control area.

"An automated radar terminal system developed by Univac is already in use at the busiest air terminal in the world, Chicago's O'Hare Field. It automatically shows the identity, altitude, speed, range and bearing of every aircraft within a radius of 30 miles.

"This is only the beginning. Within 25 years, computers, not man, will be guiding and piloting aircraft from take-off to touch-

down... and they will be accomplishing this in skies 10 times as crowded as today's."

Nor is their role confined to the developed nations, says George H. Geick, Univac division executive vice president, world-wide marketing and services. He says they will spur dramatic growth in emerging nations. "A quarter of a century from today," he adds, "historians will not only give the computer credit for the economic growth of these countries but will recognize [it] as the one force that saved them from oblivion."

What first encouraged them was their success in building a ring counter circuit that they could rely on.

"That was vital," Dr. Eckert says.

"In ENIAC, ring counters stored numbers and added them together.

"But there weren't any with the reliability and speed that we felt we must have. One manufacturer had a relatively fast one, but if the voltage varied as little as 3 per cent it would fail. Another had one with a bigger margin of safety, but it was too slow.

"So we had to build our own.

"The one we finally designed ran on about 200 volts. But it would also run on one third that amount or on twice the normal voltage. So it had a much bigger margin of safety than the fastest commercial ring counter—and it ran at two or three times as

human being: 'Well, what do I do now?'

"It takes a human being a tenth of a second reaction time to do anything, even just to pay attention to the question. And then it takes him longer to answer."

Solving this problem was one of the tougher challenges, Dr. Eckert recalls.

"We had a vague idea how to do it in the beginning.

"Then, one day, John Mauchly was in bed with a cold or something. I was pacing up and down the floor in his bedroom. I was saying: 'Now, how do you do this?'

"John said: 'Why don't we get some little boxes, one for each event? And we'll put a switch on each one and hook them together with cords, like a telephone.'

sheet metal work for frames and chassis. They located a company that used to make kitchen cabinets, but was going out of business because it couldn't get steel.

But ENIAC's priority was high enough for steel. ENIAC got it, and the kitchen cabinet maker did their metal work.

When ENIAC was complete, it weighed more than 30 tons, and took up more than 15,000 square feet of floor space—a far cry from some of its descendants, which can fit in your lap. In its innards were 18,000 vacuum tubes.

ENIAC's existence was made known by the Army in February, 1946.

Thus, 25 years ago, we were ushered into the computer era although ENIAC wasn't debugged and adopted





The work of John W. Mauchly (left) and J. Presper Eckert (right) was of vital importance to the Army in 1945, when this picture was taken. At the time, Dr. Mauchly was 38, and Dr. Eckert, 26.

by Army Ordnance until July, 1946. It was moved from the Moore School to Aberdeen in early 1947.

### Neither fame nor fortune

Oddly enough, their accomplishment brought Dr. Mauchly and Eckert neither fame nor fortune.

Both left the Moore School to form the Eckert-Mauchly Computer Corp. before ENIAC was completed. But they lacked the capital to make a go of it.

They sold out to Remington Rand in 1950, before their first commercial computer, the highly successful UNIVAC I, was delivered to the Census Bureau.

"All told," says John Mauchly, "we each made about \$200,000 to \$250,000 out of our invention."

The computer industry they helped found is a \$6 billion a year giant now, the American Federation of Information Processing Societies estimates. Foremost in it, of course, is International Business Machines Corp., but Univac, a division of Sperry Rand Corp., formed in 1955 by the merger of Remington Rand and Sperry, is also a notable factor.

Today, John Mauchly, 64, is president of Dynatrend, a computerized stock research firm. Presper Eckert, 52, is a vice president in Sperry

Rand's Univac division—successor to the firm he and Dr. Mauchly founded.

Neither man's name is in "Who's Who"—an inexplicable omission.

Did the two young men foresee the impact their invention would have on the world?

"Our idea was that it was useful for everything," Dr. Mauchly says. "We said it would revolutionize airplane design—you wouldn't need all those wind tunnels. It would speed up the world's commerce, industry and banking. But these were things that were already in existence or extensions of them.

"The one thing we didn't think of was space travel. Yet, as Wernher Von Braun has said, without the computer we'd never have put a man on the moon."

Did they ever despair of success?

"Well," Dr. Mauchly replies, "it was discouraging to find there was no great enthusiasm over the idea. There were all kinds of wet blankets thrown over it—lots of reasons advanced why it couldn't be done.

"So these were discouraging. But, on the other hand, I didn't have any reason to think that life would be otherwise.

"I hoped it would be—but I didn't have any real reason to think so."

—JOHN COSTELLO

## The Lady's Law Vanishes

The number of states with maximum hours laws for women has been sharply reduced since passage of the Civil Rights Act of 1964, a Labor Department survey finds.

In 1963, there were laws restricting the number of hours (usually eight to 10 a day) a woman could work in 40 states and the District of Columbia. Now, only 12 states retain such laws without major changes. The reason: Title VII of the Act prohibits sex discrimination in employment.

Mrs. Elizabeth Duncan Koontz, director of the Department's Women's Bureau, says maximum hours laws were enacted in the early 1900s to protect women, but now it is felt they discriminate rather than protect.

"It is hoped," Mrs. Koontz says, "that state laws pertaining to conditions of safety and health will be uniformly applicable to men and women."

Ten states have repealed their maximum hours laws for women. In 12 states and the District of Columbia, attorneys general have held such laws aren't applicable to employers covered by Title VII.

Elsewhere, federal courts have found state hours laws in conflict with Title VII, or states have exempted workers covered by the Federal Fair Labor Standards Act. Two states, Texas and New Mexico, have amended their laws to permit women to work overtime on a voluntary basis.

In the following states, women's hours laws are basically unchanged: Arkansas, Connecticut, Kentucky, Louisiana, Maine, Minnesota, Mississippi, Missouri, Nevada, New Hampshire, South Carolina and Utah. Some, however, allow extended hours for women by special permit under emergency conditions.

In 1970, women accounted for 38 per cent (31.5 million) of total reported employment in the U.S. Only one out of six working women held a blue collar job. **END**



## Asia in Alabama and a Garden in the Sky...

"Business can be beautiful" is more than just sentiment, as winners of American Association of Nurserymen awards prove.

Cited in 1971 for "outstanding contributions to environmental improvement" were nine business firms, four institutions and two municipal governments. Two examples of architecture and landscaping that combine beauty with functional design are shown here.

Firms honored were General Development Corp., Miami Fla.; Gulf States Paper Corp., Tuscaloosa, Ala.; Humble Oil & Refining Co. service stations in Concord, Calif., and Wilson, N. C.; The Jockey Club, Miami, Fla.; New England Merchants National Bank, Boston, Mass.; PepsiCo Corp., Purchase, N. Y.; Shell Oil Co. for a service station in Cupertino, Calif.; and Southern California Edison Co., Santa Ana, Calif.

Cities named were Miami, Fla., and Maysville, Ky.; institutions were the Canal Museum, Syracuse, N. Y.; Bowling Green State University, Bowling Green, Ohio; Maryland National Capital Park and Planning Commission, Silver Spring, Md.; and Stanly House, of the Tryon Palace restoration in New Bern, N. C. END



*A bit of the Orient has been added to Alabama by using this imported pagoda for the entranceway to the recessed buildings of the Gulf States Paper Corp. headquarters in Tuscaloosa.*



*High above historic State Street in Boston, on a terrace outside a staff dining room and a reception room, this garden at the New England Merchants National Bank Building offers sweeping views of city and harbor.*



# Will Controls Work?

By  
Dr. Raymond  
J. Saulnier



A distinguished economist examines three vital questions about wage-price controls: how likely they are to succeed, how long they'll be needed, and what will happen if they flop

**N**ow that direct wage and price controls have been adopted to overcome inflation—more accurately, to help overcome it—two questions are timely: 1. What are the odds that the controls will succeed? and 2. How long will they be needed?

Perhaps a third is relevant: What happens if the control system breaks down?

Taking the last question first, failure of the controls would almost certainly bring on a burst of inflationary wage demands and price increases. How badly things would get out of control would depend on how much pressure had built up behind the controls, but even with

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things as they are at this writing an explosive reaction could be expected.

There would be widespread work stoppages, with finger-pointing and recrimination on all sides. The political effect would be traumatic, and in the process our much abused economy would suffer a rise in unemployment and a rash of business failures.

In financial markets, bond prices would collapse, interest rates would shoot up, and credit availability for long-term investment, notably mortgage credit, would be greatly reduced—it might dry up altogether. The stock market, of course, would be dealt a heavy blow.

In short, the scenario would be that forecast nowadays by the most pessimistic soothsayers.

There is little chance, of course, that things would be left in such disorder for long. The next step—and it would come soon—would inevitably involve new and more restrictive controls. And if these controls failed they would almost certainly be replaced by others still more severe, and so on.

In short, failure would launch us onto what Friedrich von Hayek, writing some years ago, called "The Road to Serfdom." Clearly, with such a prospect, the present fairly mild version of controls had better succeed, as I expect they will.

Turning to the second question—how long the present controls will be needed—we have a more complicated problem.

A minority believes we should be operating at all times under a centrally directed, government-administered control system and I expect they would want to perpetuate present arrangements. More than that, they would almost certainly prefer to see them hardened; indeed, their standard criticism of present controls is that the controls are being administered by people who do not really believe in them.

The more typical view, however, which the Administration expresses and which fortunately has broad support in both political parties, is that controls should be ended as soon as possible, to permit a return to free collective bargaining and independent, competitive pricing in free markets.

How soon can this be achieved, consistent with cost and price stability?

There may be those who look for decontrol in a relatively few months but, realistically, this is not possible. The most favorable outcome achievable, it seems to me, would be decontrol after about two years. It is not just a matter of holding price inflation to an acceptably low rate for a brief period—price controls, if tight enough, can do this. The more difficult but essential task is to slow the increase of employment costs (including fringes) to rates consistent with stable prices.

One reason this won't be accomplished overnight is that there are outstanding contracts (some with two years still to go) that I expect to see honored.

Another reason is that there is a need to make equalizing wage and fringe adjustments so high relative to productivity improvement as to require price increases significantly above 2 per cent, the bottom of the range of the Administration's announced price stabilization



goal. Moreover, once price increases have been reduced to acceptably low rates they must remain in that status (with minimum control pressure) long enough to build a conviction that they will stay that way not only after controls have been lifted but in the face of monetary and fiscal policies sufficiently expansive to achieve and maintain high employment.

Otherwise, the inflationary psychology will continue, whereas it must be overcome before the program can be regarded as having attained full success.

All this will take time. It should be possible to relax controls somewhat as stabilization goals are being approached, and perhaps to lift them entirely in some areas, but two years is probably an irreducible requirement.

Indeed, two years may seem overly optimistic to some, but there is a perfectly reasonable argument to support its feasibility. It follows:

- Growth should accelerate in 1972, possibly reaching 5 per cent or better in the second half contrasted with 3 to 3½ per cent in 1971. Speeded-up growth will cut two ways in its impact on the chances of achieving cost and price stability.

The higher utilization of resources which it implies, and the narrowing of the gap between actual and potential output, will heighten the risk of a new outbreak of inflation. But faster-than-average increases in productivity, typical of such a period, will help keep cost per unit of output down—indeed, should reduce unit cost in some industries—and moderate inflationary pressures.

- By the fourth quarter of 1972, employment cost increases at lower rates should justify GNP price deflator increases of only 3 to 4 per cent a year compared with 5 per cent in mid-1971.

This would be possible if annual increases in compensation per man hour in the private economy—which averaged 8 per cent in mid-1971—were moderated to between 6 and 7 per cent. Not a big drop, but sufficient to allow price inflation to move down a notch.

Whether this slowing down of labor cost increases is achieved will depend on how Pay Board decisions are carried out regarding retroactivity of wage increases held down during the freeze, the payment of increases already agreed on in labor-management contracts, and increases to be granted under newly negotiated contracts, including equalizing adjustments. But even assuming a liberal attitude toward exceptions, it should be possible to achieve the needed slowdown.

- A second year should see this process of winding down inflation completed, or nearly so.

If employment cost increases could be reduced by the end of 1973 to an average of between 5 and 5½ per cent a year, annual increases in the GNP deflator should be down to around 2 per cent, possibly even below, and increases in the consumer price index would be correspondingly reduced. If this should come to pass, it would mean that the goals of the new economic program

had to all intents and purposes been achieved. Progress would need to be sustained for a time before one could be sure the inflationary psychology had been eliminated, but the major portion of the achievement should come in the first two years.

- Although there is no evidence as yet of the stabilization or decrease in labor cost per unit of output that normally occurs in a recovery period, this should come as output increases accelerate. Admittedly, the feasibility of the path to cost-price stabilization sketched above depends on achieving economies from a fuller utilization of capacity.

This is a reasonable expectation, unless recovery stalls or wage inflation continues unabated, or both. Unfortunately, these dual misfortunes cannot be ruled out; but they should not be regarded as inevitable. It is this observer's considered judgment that stabilization is feasible.

Let it be inferred that the only thing needed to overcome inflation is the application of direct wage and price controls for two years, let it be said that nothing could be farther from the truth. One need not be a hard-shelled monetarist (which I am not) to believe (as I do) that inflation is essentially and basically a monetary phenomenon, that it doesn't occur except when monetary expansion has been excessive and that while it can be suppressed by direct controls, it cannot be corrected except in a context of adequately noninflationary monetary policy.

It is precisely this difference between the *suppression* and the *correction* of inflation that many advocates of incomes policies do not acknowledge. Worse than that, many seem not to understand it.

The fact is that whether the anti-inflation program succeeds will depend less on the severity of the wage and price controls than on the support these controls get from underlying monetary and fiscal policies, in particular from monetary policy. Lacking adequate support, the two-year stabilization program laid out above will not succeed; the only success possible will be a forced and short-lived stability of prices.

Because monetary policy plays such a crucial role in overcoming inflation, it would be convenient if one could tell in advance what money supply increase would be conducive to price stability. But this cannot be done, monetarists' beliefs notwithstanding.

All one can say is that if physical output is rising around 5 per cent a year (as can be expected toward the end of 1972) money supply cannot rise faster than 8 per cent a year (and preferably lower) if price inflation is to be held to not more than 3 to 4 per cent annually and if progress is to be made toward still lower rates. And money supply increases must ultimately be reduced to around 6 per cent a year if price increases are to average 2 per cent or less annually.

Not only is it impossible to tell whether monetary policy will meet these requirements in the future, it is



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## Will Controls Work? *continued*

not easy to understand why money supply was permitted to behave as it did in the recent past.

From Jan. 1, 1971, until the end of July, demand deposits plus currency rose at the rate of 12.3 per cent a year while physical output was rising not much above 3 per cent. It should be no surprise that in this context price inflation was 5 per cent a year—it's a miracle it wasn't more.

Then, beginning early in July, the trend of money supply turned negative, and as of early November it was still on a disinflationary path.

What the money supply trend will be in 1972 is largely in the hands of the Federal Reserve system.

There is certain to be pressure to speed up money supply: to promote faster increases in employment, faster real growth, lower interest rates, etc. But if this pressure is bowed to, the control system will not work.

With suggestions on all sides to reduce taxes and increase spending, the federal budget is obviously one of the major sources of pressure. Unfortunately for the inflation control program, the budget is deep in the red. Large deficits do not make success for the stabilization program impossible, but they certainly make it more difficult.

Returning now to the first question—what the odds are on success for the new economic program—much will depend on how it is administered. And the "breaks" will have something to do with it, too.

But, mainly, success will depend on the willingness of labor and business to cooperate—to make near-term sacrifices to gain long-term benefits—and on the readiness of government—the White House, Congress and the Federal Reserve system—to adopt the right spending, taxing and monetary policies and to stay with them, even when it hurts.

To be specific: The odds on success for the control system are not terribly high, yet they seem to me better than merely 50-50, provided a sensible view is taken of the time frame within which to achieve the program's goals.

All things considered, I would put them at about three to one on the favorable side—not a sure thing, by any means, but a safe bet. **END**



# The Executive Gap

A company may not be forewarned about the departure of one of its top men—but it should be forearmed

It happens so often. A key corporate executive, an integral component of a company's superstructure, is no longer at his desk.

He may have moved to another company, taken advantage of an early retirement plan, or died.

Whatever the reason, there is a vacancy in the executive hierarchy and, except for early retirement—in which the company usually has some degree of warning—it probably has occurred suddenly.

The aftermath can have serious implications for a company in today's ultracompetitive international marketplace.

At the company where management has continuing foresight, business proceeds efficiently. An experienced and qualified employee is moved up from a lower corporate echelon. The business of the business goes on without interruption.

## Too little and too late

But the potential Executive Gap is paid too little heed in most board rooms. Senior corporate management, in many instances, assumes that its key executives are wholly satisfied in their posts or are somehow able to defy actuarial odds.

Often, only when a senior man's desk is actually empty does top management recognize its lack of corporate depth and attempt to remedy the situation. And the replacement procedure may be an arduous one, fraught with a multitude of difficulties.

Months may pass in waiting for executive recruit-

GEN. GEORGE OLMSTED, author of this article, is chairman and president of International Bank of Washington. He is a retired major general, United States Army Reserve.



*Have backup man*

DRAWING: CHARLES A. DUNN

ment agencies to fulfill their promises. Even raids on the executive resources of competitors take evaluation time. Many a company finally resorts to the wasteful practice of promoting a man known to be unqualified for a post, simply because the vacant desk is gathering dust or because any man is better than no man.

Even after someone meeting all the requirements has been found, hired and trained, costly productive man hours have been lost.

Quite apart from the added burdens the delay has put on fellow executives whose own responsibilities receive less than their due attention, the corporation itself inevitably suffers through lack of continuity. A vital contract may be lost because of protracted negotiations, or a crucial delivery date may go unmet because the executive with ultimate responsibility has been diverted to fill the Executive Gap.

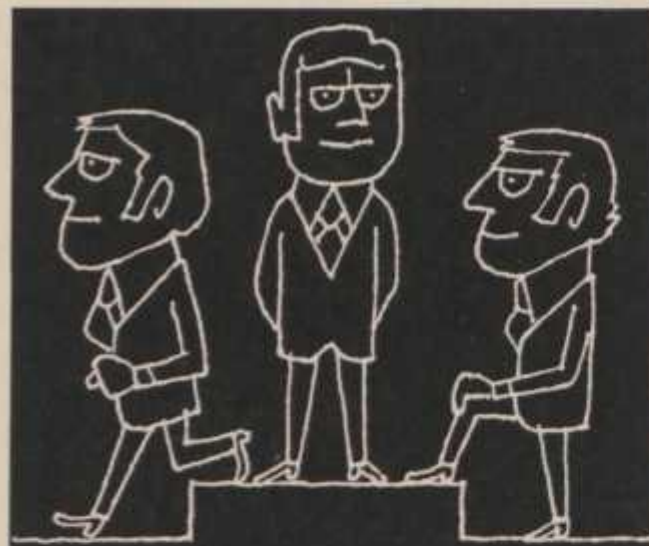
Don't think this is just scare talk. We have seen too many fine old companies where the leadership has run out of gas. They lose their competitive drive, their earnings decline or disappear and they become a prey to the take-over boys. Don't think it can't happen to your business. It not only can, it will, if you aren't prepared to defend your continuity by a strong leadership development program.

Almost nothing the corporate executive does is more important than searching for and developing competent young men and women who can give future leadership to the company.

The senior executive who hasn't trained and developed his own successor has failed personally as well as organizationally. By permitting his company's management to become vulnerable, he may have placed an impediment in the path of his own promotion. Yet the



## The Executive Gap *continued*



*Develop leadership program*

Executive Gap continues to assume more serious proportions for American business.

In a recent study, the Ford Foundation concluded that it is the number one problem management faces. Even allowing for temporary economic setbacks, the demand for high-caliber executives has never been so great.

Indeed, the alienation of many young people, and their reluctance to consider careers in business, could result in the problem becoming critical within a comparatively short time. So it is vital that companies in all sectors of our economy implement internal leadership development programs at an accelerated pace.

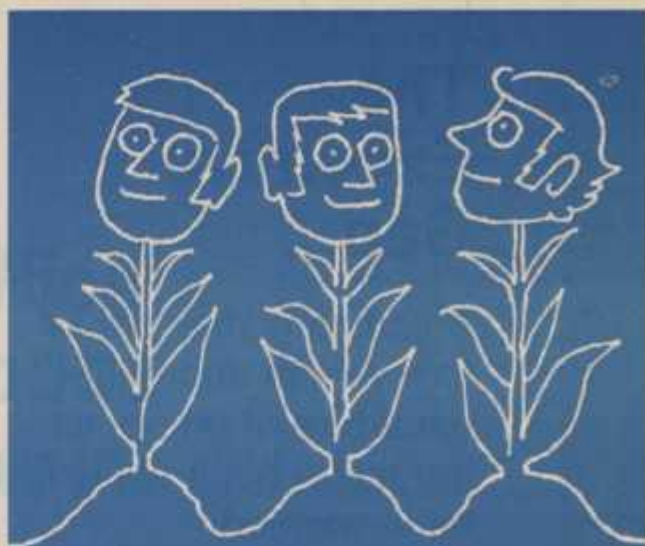
### **Adapting the military's tactics**

As a "split-level" individual who has had the good fortune to enjoy careers in both business and the military, I have no hesitation in declaring that the U. S. armed forces have successfully countered the leadership gap.

There are few corporations whose recruitment efforts compare with the military's success in building adequate backup personnel resources. The need for men who can more than adequately fill a breach is of paramount concern to the command structure, during periods of peace as well as in time of war.

An elaborate and carefully structured system of special schools, special courses and on-the-job training gives the armed forces a ready pool of qualified officers who can be moved up the chain of command whenever the need arises.

At International Bank of Washington, my colleagues and I made a study of the military's manpower development programs and decided we could transplant many aspects of the system to business practice. Thus,



*Cultivate promising material*

our Leadership Development Program was born several years ago.

Obviously, some aspects of the military's program could not be applied to a civilian business structure. But, gradually, it has evolved into one of our most indispensable and sophisticated management procedures.

How effective the program has become is best illustrated by a few simple points about International Bank operations.

I'm proud to report that the great bulk of our management people come from within the organization. Only in rare instances do we have to go outside the company for an executive replacement.

For example, in our fire and casualty insurance companies, we had two men—not just one—capable of assuming the presidency when there was a vacancy recently. In addition, all six department heads in our insurance group are backed up by at least one man who can—and someday will—assume responsibility for a department within the group.

### **"Musts" for any company**

Since the inception of our Leadership Development Program, it has been my firm contention that three basic factors must be included in such a program no matter what the type of company:

1. Young men and women within a company must be firmly grounded in the techniques of their jobs. When this is accomplished, they should be given responsibilities for decision-making commensurate with and occasionally beyond their present capabilities.

Senior management should also make it clear to them that their contribution to the company's general well-being and profitability is recognized and appreciated.

2. Employees should be urged to contribute time and





*Be involved*



*The take-over boys are ready*

services to the community in which they work through local, state and national organizations devoted to the community interest. This gives an employee a greater stake in his community and a parallel motive for seeing that his company continues to make its vital contribution to the community's economic and social well-being.

3. Employees with potential for reaching the company's highest levels should be kept fully apprised of issues and conditions that affect the business. And what affects your business more than government?

Obviously, needed information can be obtained through individual initiative, but senior management should be prepared to supplement this wherever possible. Interest and active participation in government—politics, if you please—is an essential for the growth of an aspiring senior management man.

These three factors are given paramount attention at all senior levels in the International Bank family of companies.

We keep personnel profiles of all our key people and these are regularly reviewed and updated. We list the name and age of the incumbent in each position along with the name and age of his potential successor. Sometimes, the name of the successor may be listed before he or she is fully qualified, but we include details of what has been done to realize the successor's maximum potential.

To insure accuracy of these personnel profiles, the succession lists are reviewed frequently at board of directors meetings. Awareness by the board of the strengths and weaknesses of a company's infrastructure is, in my view, of topmost importance to the maintenance of sound corporate management.

Corporate management as we know it today is vir-

tually an American invention. It was the U. S. corporation that first discarded the old European concept of promotion on the basis of quasi-nepotism, and propounded the idea of progress up the corporate pyramid by any qualified individual.

#### **A matter of survival**

The concept was later exported along with many other management techniques which were tested and proven in the U. S.—the most sophisticated commercial proving ground in the world. And the world has adopted these techniques, albeit with an occasional local variation. The competitive thrust of the developed nations and the increasing drive of the emerging economies is ample evidence of the success of these American-initiated principles.

Today, the United States, despite the massive success of her economy, faces a multitude of challenges. If our free enterprise system is to prove its superiority in the face of these challenges from its friends and those not so friendly, the development of sound corporate leadership is increasingly vital.

Private enterprise can only be as strong as the men and women who make it function. Our survival at the forefront of international trade and commerce depends on soundly structured programs of leadership development—not only in business, but throughout our national life.

Quite plainly, we cannot allow ourselves to fail. END

REPRINTS of "The Executive Gap" may be obtained from *Nation's Business*, 1615 H St. N. W., Washington, D. C. 20006. Price: One to 49 copies, 35 cents each; 50 to 99, 30 cents each; 100 to 999, 17 cents each; 1,000 or more, 14 cents each. Please enclose remittance.



# Winning Is a Many Splendored Thing

What does it mean to a city to have professional sports teams that come out on top? Look at Baltimore, "City of Champions"

Baltimore, long famed as a port, as an industrial center, and as the locale where Francis Scott Key wrote the words for the "Star Spangled Banner," has been billing itself as "The City of Champions."

It can boast of 1970 world champs in professional baseball and football and divisional champs in basketball and hockey.

Its teams are no slouches this year either. The one team whose season is over, the baseball Orioles, didn't quite reach its exalted 1970 level, but *did* win the American League pennant before losing the World Series to the Pittsburgh Pirates. And the football Colts, basketball Bullets and hockey Clippers are all strong.

What does having championship teams do for a city?

"It's realistic to say that everyone benefits—merchants, fans, government, and, through the psychological uplift of being number one, the city as a whole," says Baltimore's retiring Mayor Thomas J. D'Alesandro III.

In terms of hard cash, it's estimated that professional sports have been generating some \$20 million in direct spending in Baltimore yearly. Post-season games—the World Series and playoffs—have generated an estimated \$5 million more.

Experts say there is a multiplier effect as such spending circulates through a city's economy. In Baltimore's case, one economist says, he would use a multiplier of three. This would indicate a total spending figure of \$60 million for regular season games and \$15 million for post-season contests, or a grand total of some \$75 million.

That may not loom terribly large

*In downtown Baltimore's Charles Center: Superstars Bubba Smith of the Colts and Wes Unseld of the Bullets, and—alas—a ringer. The Orioles were in Japan when the picture was taken. This "Oriole" is a team public relations man.*





for a metropolitan area whose population tops two million (city population: 905,000). But much of it might not have been spent in Baltimore if the teams weren't there. It's frosting on the metropolitan cake.

And its value in terms of such intangibles as community spirit, and publicity that helps attract industry and trade, are potentially of greater importance, says Edward J. McNeal, executive vice president of Baltimore's Retail Merchants Association and executive director of the Committee for Downtown, Inc.

This is illustrated by the story of the Baltimore businessman who, at a gathering in another city, met the president of a large insurance firm that was thinking of moving its headquarters.

"What do you know about Baltimore?" he asked.

"Oh, I know Baltimore," the company president replied. "You've got the Orioles and the Colts."

The amount of nationwide publicity for pro teams these days is sky-high. For championship teams, it's astronomical.

"Everybody likes a winner, and people around the country have the impression that Baltimore is a winner," says William Boucher III, executive director of the Greater Baltimore Committee. At home, he says, the teams' success has contributed to a sense of unity—something "a city searches for desperately these days."

Herbert G. Bailey Jr., executive vice president of the Baltimore Chamber of Commerce, says that because of the games' wide appeal, they can help start dialogues between those of different races and economic levels.

Successful teams are particularly appealing to the local fans and to others from out of town who bring new money into the economy. Baltimore's Convention and Visitors Council sells the Orioles, Bullets and Clippers as attractions to potential conventioners and other visitors. (There is not much point in doing so with the Colts. Like many pro football teams with hordes of season ticket holders, the Colts are sold out.)

Measuring the economic effect of pro sports on a city is at best inexact. However, Dr. William A. Schaffer, a Georgia Tech economist and faculty

member, thinks studies by Tech's Industrial Management Center are somewhere in the ballpark.

Dr. Schaffer headed surveys of the impact of the Atlanta Braves baseball team in 1966, the Atlanta Falcons football team in 1967 and the Montreal Expo baseball club in 1969.

Interviewers asked fans in the stands how much they were spending on tickets, food and entertainment, on concessions, transportation and lodgings. Club owners provided information, as did trade associations, individual businesses and municipal agencies.

Among the salient facts: Taking the multiplier factor into account, baseball and football had a yearly over-all spending impact on Atlanta of \$46 million, and in Montreal, baseball's impact was \$25 million.

And man for man, out-of-towners were the big spenders.

Similar studies have not been conducted in Baltimore, but Orioles Vice President Joseph P. Hamper Jr. estimates about 30 per cent of the baseball fans come from outside metropolitan Baltimore. The Colts estimate up to 5 per cent of their season ticket holders are from outside the area. And Bullets Executive Vice President Jerry Sachs says a recent survey indicates 30 per cent of basketball fans are outsiders.

Robert England, director of sales at the Lord Baltimore Hotel, says sports events are steady contributors to occupancy rates during regular seasons, and their impact has been tremendous during playoffs and the World Series.

"Our occupancy rate more than doubles at Series time," he says. "The bars do three times their normal business, and restaurants are jammed. We have to add about 20 per cent to our staff."

Mayor D'Alesandro says each Series game brings some \$250,000 in new money to this city. And "these dollars turn over in goods, services and employment in the community," he says.

One by-product of pro sports involves the players more than the fans. Many players live year-round in the Baltimore area, and super stars' high salaries add to the economy both in consumption and investment. The Colts' Johnny Unitas owns a Baltimore restaurant. The Orioles' Brooks Robinson has a sporting goods store.

Sports also have been good business for the city treasury, according to Douglas Tawney, Baltimore's director of parks and recreation.

A hike in the state amusement tax pulled city-owned Memorial Stadium out of the red for the first time last year. The city retains a slice of the

## BALTIMORE COLTS

### Fiscal Report for 1970

#### OPERATING INCOME

Regular season game receipts.....	\$2,082,707
Pre-season game receipts.....	596,000
Playoff games receipts.....	176,822
Total.....	2,855,529

#### OTHER INCOME

Television and radio revenues.....	1,566,124
Parking, concessions, etc. revenues.....	146,547
Total income.....	4,568,200

#### OPERATING EXPENSES

Salaries and bonuses, players.....	2,000,000
Front office expenses, incl. salaries, rent, travel, etc.....	1,444,000
Salaries, coaches, scouts and staff.....	570,000
Training camp expenses.....	100,000
Total expenses.....	4,114,000

Income before income taxes.....	454,200
Income taxes.....	334,800
NET INCOME.....	119,400



## Winning *continued*

tax amounting to over \$500,000 annually from tickets to Colts and Orioles games. To this must be added some \$800,000 in rental and concessions revenues.

At the Civic Center, Executive Director Harold J. Jennifer Jr. runs a precision operation that can convert a large auditorium into a basketball court or hockey rink in hours. It sometimes does both on the same day.

Together, the Bullets and Clippers had a 25 per cent increase in total attendance in 1970. Fans who watched the Bullets win the Eastern Division title and lose the National Basketball Association playoff brought approximately \$266,000 to the Center from taxes, rental and concessions.

The Clippers are estimated to have contributed \$185,000 in revenues.

Both the Orioles and Colts were profitable in 1970. Without the proceeds from the World Series, though, the Orioles would have posted a loss instead of a profit of \$345,000.

This year's figures aren't in yet for the Orioles, but attendance below 1970's (a 34,000 drop to 1,023,000, caused by rainouts) put a dent in revenues. However, the Series went two more games this time, and brought the Orioles an extra \$191,000 in gate receipts alone, even though they lost to the Pirates.

Although the Colt franchise is privately held, management furnished NATION'S BUSINESS an income statement that showed a profit of \$119,400 for the 1970 season, which ended when the Colts defeated the Dallas Cowboys in the Super Bowl. At home, the Colts played to 420,000 fans during the regular season and 107,000 during playoffs.

Among the best evidence of what championship status means is that offered by Philip "Pinny" Friedman, owner of downtown Baltimore's Chesapeake Restaurant.

Mr. Friedman began running a chartered bus service to Colts games from his restaurant in 1948. In those days, when the Colts were not at the top of the heap and "weren't drawing flies," he says, he was sometimes the only passenger.

Nowadays, he says, 300 or more fans are transported—just about the number of diners he can serve in his restaurant. **END**

## Will the Businessman Become "Master of Change"?

What will American business be like in 1990?

What will be the work environment? Or the role of small business? Will there be global as well as multinational corporations? Where will technology be going?

Nearly 2,000 businessmen, educators, labor leaders and government officials will ponder questions such as these in February during the White House Conference on the Industrial World Ahead.

Conceived by President Nixon as being needed because "man must become master of change," the conference aims to provide reasoned dialogue on the challenges facing U. S. business in the years leading up to 1990.

Secretary of Commerce Maurice Stans and Secretary of Labor James Hodgson will serve as cochairmen of the Feb. 7-9 meeting.

Businessmen—as well as such others as city planners and government economists—are probably giving more thought than ever before to the future.

A whole new breed of specialist—the futurist—has emerged. Among those well known in the field are Herman Kahn and Buckminster Fuller, and the Institute of the Future and the Commission on the Year 2000.

However, planning for the future isn't necessarily considered an American forte.

"We're a society that reacts rather than acts," says Robert W. Miller, executive director of the upcoming conference.

Says Secretary Stans:

"Much of the nation's business community today is so immersed in short-term matters and problems—urgent concerns involving government, prices, the environment, con-

sumer affairs and other matters—that long-range considerations often suffer, with too little attention given matters that will affect the long-range business relationship with society as a whole."

Many of the problems for which business is under attack today—and which, paradoxically, are due to the success of the system—were not widely foreseen two decades ago.

Swift consumption of natural resources, air and water pollution, ground and airway congestion, rapid technological change and shifting attitudes toward work, leisure and affluence all have accompanied the strong growth of the economy.

And what changes loom over the horizon?

To stimulate discussion, the conference has established four broad themes that will be the subject of speeches at the opening session and later panel discussions and workshops:

- The social responsibility of business: This will take in the socioeconomic environment of business in the next two decades, national priorities, and demands that may be placed on business by society.
- Technology and resources of business: What to expect in the tools available to the businessman. The management of technology, natural and financial resources are possible areas of discussion.
- The human side of enterprise: The whole human resources question, including work environment and labor-management relations.
- The structure of the private enterprise system: The shape of the system in 1990—multinational companies, the role of small business, taxation, capital needs, and stimulation of competition. **END**



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## How to Learn the Interstate Highways' Ins and Outs

As a driver, you're undoubtedly familiar with the red, white and blue shields bearing the route numbers of the Interstate Highway System.

But do you know how those numbers were selected? The total mileage of a given segment? What cities the various routes serve?

The answers to those questions, and many more details about the 42,500-mile highway network, are in a booklet issued by the Federal Highway Administration. It's called "Interstate System Route Log & Finder List" and is available for 25 cents from the Superintendent of Documents, Washington, D. C. 20402.

It informs you, for example, that the system's major routes are designated with one- or two-digit numbers and that even-numbered routes run east and west while odd-numbered routes run north and south.

The lowest numbers, Routes 1, 2 and 3, are in Hawaii.

Numbers of north-south routes are higher, generally, the further east the routes are. Route 5 runs between San Diego, Calif., and the Canadian border in the state of Washington; Route 95 between the Canadian border in Maine and Miami, Fla.

East-west numbers increase the further north the routes are. Route 10 runs between Santa Monica, Calif., and Jacksonville, Fla.; Route 90 between Seattle, Wash., and Boston, Mass.

Circumferential routes and loops connected with a main route at both ends carry the number of the main route with an even-numbered prefix.

Spurs that connect with a main route at only one end carry the main route's number and an odd-numbered prefix.

The booklet shows what states the routes serve, how many miles run through each state, and what cities are served. There is a separate listing for auxiliary routes. **END**



**TALK!  
TALK!  
TALK!**

A wise man once said, "You ain't learning nothing when you're talking."

He could have added that the other person—the talker—wasn't learning either.

It should be a two-way conversation.

The prime factor is the importance of what is being said—and what effect the conversation will have on meeting mutual goals.

If what you have to say is important, let your voice be heard. Add your voice when it is needed.

Your chamber of commerce wants more sound thinkers and sound talkers.

Silence, by the way, is not necessarily golden.

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## This Month's Guest Economist

Francis H. Schott  
Vice President  
The Equitable Life Assurance  
Society of the United States

### The Interest Rate Outlook

Now that economic controls have become a major—although hopefully temporary—feature on the scene, politicians may express more than a merely nostalgic desire for a return to the “good old days” of 5 per cent home mortgages and 4½ per cent prime commercial bonds.

But, controls or not, the new era of long-term money at about 7 per cent is here to stay for the indefinite future.

About 40 years ago, Irving Fisher of Yale suggested that, in logic, the long-term interest rate be broken down into two components—a “real rate,” compensating the lender for postponed current consumption; and an “inflation allowance,” compensating the lender for erosion of the purchasing power of principal and interest while the loan is outstanding.

The first component depends on the demand for and supply of funds in constant dollar terms. The second depends on the inflation rate. Both components have risen since the early 1960s, the second more so than the first. Over the next few years, movements of the components are likely to be opposite in direction but roughly equal in magnitude.

The inflation allowance is by now widely accepted both in logic and in practice. If the pre-Viet Nam inflation rate was 1½ per cent per year and recently has been about 4½ per cent, that change alone should produce a 3 percentage point rise in long-term rates. Thus, we should not be surprised at home mortgage rates of 8 per cent and bond rates of 7½ per cent.

In fact, matters are not that simple. Which inflation measure should be used; how to allow for special government influences on home mortgage rates; and how to measure

actual inflation expectations incorporated in long-term contracts—all these are difficult questions.

Naturally, one's estimate of the future inflation allowance should be re-evaluated in the light of the Aug. 15 price-wage freeze and the Phase II guidelines.

Writing at the time of the promulgation of Phase II guidelines, I shall go out on a limb and predict that inflation expectations will diminish, but only gradually.

Neither price-wage guidelines nor interest rate controls, if any, will be a major factor for very long. Is this cynicism? Far from it. Controls, if abused as a substitute for a decline in long-term inflation expectations, could hide the realities for only a few months at most.

Meanwhile, the “real” component of long-term interest rates is likely to continue under upward pressure, though perhaps it is not easy to see why. Isn't real personal income rising steadily, and with it savings and the supply of funds? The answer is “Yes, but.” The “but” has to do with an even greater rise in the demand for long-term funds measured in constant dollars.

To our dismay, we realize we have neglected urgently needed private and social investment while spending on national defense and the consumer goods everybody desires, but which we may not, in fact, be able to afford.

Examples abound. Our inner cities have decayed and in a number of cases require reconstruction virtually equivalent to that of European cities after World War II. Mass transportation around metropolitan areas is a shambles. Perhaps the worst example: We have treated water and air as if they were free goods whose un-

limited use did not involve depreciation or depletion.

Now the President's Council on Environmental Quality, the Brookings Institution, academicians, a gradually aroused citizenry—all of us—are beginning to perceive the immense task ahead. Preservation and, where required, restoration of the “quality of life” involve large-scale outlays.

Can higher taxes and current financing of enlarged public outlays do the whole job? Most likely not. We have to generate an enlarged flow of private long-term funds (expressed in constant dollars). A high real long-term rate of interest is needed to bring about enlarged investment in a non-inflationary manner.

So, barring another big spurt in defense outlays, the inflation component of long-term interest rates should be declining in the next few years, although not to the pre-Viet Nam level. And the real component of long-term rates, on the other hand, should rise if the social tasks ahead are to be accomplished. Rough stability of long-term rates at about current levels is thus distinctly possible.

How about short-term interest rates? These are both cyclically more volatile and more subject to Federal Reserve policies than long-term rates. Although there is a linkage, the Federal Reserve cannot bring down long-term rates simply by driving down short-term rates. Just within the past two years, long-term rates of 8 per cent plus have co-existed with both a 3½ per cent 90-day Treasury bill rate and with a 7 per cent bill rate.

Right now, I feel we are near the bottom of a declining trend of short-term rates. The economic recovery will strengthen in 1972, and Federal Reserve policy cannot continue as expansive as it was through mid-1971. Nevertheless, the upward trend of short-term rates—starting perhaps in early 1972—will not be so strong as to produce another “credit crunch.”

Nor should it upset the applecart of rough stability in long-term rates—if all goes well. That last phrase most importantly implies a damping of inflationary psychology, a task in which price-wage controls cannot be more than a temporary crutch.



## DYNAMIC GROWTH COMPANIES

# The Franklin Mint

Collectors are no small item

Remember March 25, 1964? Coin collectors might.

Joseph M. Segel will never forget it.

That was the day the Treasury stopped selling silver dollars to the American public. Earlier, banks had run out of the heavy silver cartwheels.

That March day, avid would-be buyers queued up around the Treasury building in Washington in a line stretching for blocks. Newspapers and magazines spread pictures of the crowd over their pages.

For Joe Segel, the event confirmed what he had noted earlier with great interest. As the supply of silver coins shrank, the urge to collect them rose rapidly. When this fact sank in, his sensitive business instincts vibrated like a tuning fork.

"There must be a marketing opportunity here, somewhere," he said to himself.

He was right. There was.

Mr. Segel, a 33-year-old Philadelphian who had been in the advertising specialty field, decided to form the National Commemorative Society and issue limited edition commemorative medals of solid silver. He sold memberships in the society by running four-page ads in coin collector magazines.

You had six weeks to enroll. The membership fee started at \$10, and went up to \$40—depending on how quickly you signed up.

"A charter membership entitled you to buy one sterling silver proof of each monthly medal to be issued by the society," Mr. Segel says. "It also entitled you to vote monthly, and thus participate in the selection of the men and events commemorated."

NCS promised the proof medals

would be of the highest quality sterling and the size of the crown, a British coin. They would be rare, because they would be limited to one proof to each member of the society and then the dies would be destroyed.

"I expected to sign up one or two thousand members," Mr. Segel says.

"In six weeks' time, we signed up 5,250."

And that's when his troubles started.

"I thought it would be a simple matter to find a company that could strike proof-quality coins or medals," he says. "But it wasn't."

A true proof-quality coin has a two-tone finish—a mirror-like background and a satin or frosted finish on the area in relief.

"Not even the U. S. Mint," Mr. Segel says, "turns out many proofs like this. If a collector is lucky enough to get one, he calls it a 'gem proof' or 'frosted proof.'"



*This guard at The Franklin Mint has a battery of 36 closed circuit television cameras to help him keep operations under surveillance. A private guard force of about 50 men maintains tight security here, where proof-quality coins are made for countries such as Tunisia and Panama and platinum and silver medals are made for collectors all over the world.*

Two firms tried, and failed, to meet his high standards.

"The NCS members were satisfied," he says, "but I wasn't."

He went to Gilroy Roberts, then chief sculptor-engraver of the U. S. Mint, with a proposal that at first struck Mr. Roberts as "crazy." As Mr. Roberts recalls:

"He said, 'Let's start a little private mint of our own.'"

"Then, on second thought, it began to sound interesting. I was about to retire, and travel. But I thought this would be fun for a year or two."

Late in 1964, Mr. Segel set up General Numismatics Corp., with himself as president and Mr. Roberts as board chairman.

Within a year, it became The Franklin Mint.

The firm, located outside Philadelphia at Franklin Center, Pa., has since branched out into other types of collector items—like commemora-





*Gilroy Roberts (right), former chief sculptor-engraver of the U. S. Mint, thought it would be "fun" to work at a private mint for "a year or two." He's been board chairman for seven years. On Jan. 1, he will become chairman emeritus, but remain as chief sculptor. Joseph M. Segel will add the chairman's title to his current ones of president and chief executive officer.*

*Joe Segel has a chat with workers in the "clean room," which houses the largest coin-proofing presses in the world. The air is changed completely every 90 seconds to ensure that no particle of dust mars the mirror-like surface of the coins.*



PHOTO: NAGEL CASTELLO



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## Harbour Town. Buy a villa, and you get the Heritage, the harbor and a little bit of Europe just off the coast of South Carolina.

Harbour Town is Sea Pines Plantation's dramatic new boating and sailing community on Hilton Head Island, South Carolina.

Its superb condominium villas, townhouses and apartments are perhaps the finest permanent resort properties on the Eastern Seaboard.

All share the magnificent view of the spectacular circular harbor that is the heart of Harbour Town. The excitement of golf's great Sea Pines Heritage Classic that is played each Thanksgiving just a boat-slip away on the Harbour Town Links.

All have the distinctively European flavor of a quaint Mediterranean fishing village. There are charming walled garden villas, a towering lighthouse, boutiques, galleries, the new Cafe Calibogue. There is romance here . . . a color, an excitement that makes Harbour Town's superb properties among the most desirable in Sea Pines Plantation.

For people who love the sea, other fine condominium villas are available in South Beach Village.

Any of these properties can be rented to help defray costs when you're away.

For details about Sea Pines Plantation, write Sea Pines Plantation Company, Box 5183-CY, Hilton Head Island, S.C. 29928.



**SEA PINES PLANTATION**

No offering is being made in residents of those states where such offering is prohibited by law.





# The Franklin Mint

*continued*



Automatic casting machines turn ingots of bullion into a continuous slab of silver which is cut into six-foot lengths before steel dies stamp it into coins or commemorative medals.



The Republic of Panama's new 20 balboa piece (\$20 U. S.), the world's largest coin, is packaged at The Franklin Mint. It's 2½ inches in diameter and weighs over four ounces. In the background are three of the firm's top executives. From left: Charles Andes, Don Smith and Brian Harrison.

tive ingots, fine art plaques and Christmas plates.

In 1965, sales were \$392,000; last year they were \$45.8 million. The subscription backlog for 1971-76 was another \$50 million.

"Joe Segel's great contribution," says Charles Andes, an executive at the company, "is his ability to create new markets."

The Franklin Mint started out selling to coin collectors—dyed-in-the-wool hobbyists who already had the habit. But now it serves more than 400,000 people, most of whom never collected anything before on a regular basis.

"The urge to collect limited edi-

tions, like those issued by The Franklin Mint, is very strong," says Mr. Roberts.

"And it's legal, healthy, and non-fattening."

Joe Segel's "little private mint" is now one of the largest in the world. It's as big or bigger than most government mints. And it turns out far more designs—several thousand a year—than even the U. S. Mint.

It has also struck coins for Tunisia, Panama, Trinidad, Jamaica and the Bahamas.

It took the Jamaican and Bahamian business away from a tough competitor who used to handle it—the Royal Mint in London. **END**



# BUSINESS A LOOK AHEAD

BY GROVER HEIMAN  
Associate Editor

## AGRICULTURE

The Agriculture Department is mobilizing to defend us against a potential foreign invader—the African honeybee.

This strain of bee, which spreads rapidly, was accidentally released five years ago in Brazil, where crossbreeding it was under study.

It produces up to 80 per cent more honey than look-alike European honeybees, which are common in the U. S.

But the African bee stays in a constant state of anger, attacking humans and animals with little or no provocation. Beekeepers fear that if it does get into the U. S. there will be demands to destroy all bees near populous areas.

The bee, of course, is of major economic

importance in more ways than the production of honey. One example: large numbers of domestic bees now are used as migrant workers (they're transported from place to place) to pollinate apples, citrus fruits, cranberries, cotton, seed alfalfa and other sizable crops.

Urged on by the American Beekeeping Federation, the Agriculture Department has set aside \$40,000 to work towards measures against the African bee.

A committee from the National Research Council, at the Department's request, is visiting Brazil to study the problem. One possibility is already in mind—genetically breeding out the ire while keeping the industry.

## FOREIGN TRADE

World-wide collective bargaining, a long-range goal of organized labor, grows as a possibility, due to labor's focusing on multinational corporations.

At the recent World Rubber and Plastic Conference in Switzerland, American labor leaders, contending these enterprises are exporting U. S. jobs, pushed through a resolution calling for establishment of councils in each country where multinational corporations manufacture rubber or allied products.

If it is legal in their countries, workers will consider refusing to put in overtime for a multinational firm in the event a "sis-

ter union" of the International Federation of Chemical and General Workers is on strike against a unit of the firm producing the same type of goods.

Peter Bommarito, president of the U. S. Rubber Workers (AFL-CIO), says union councils may take other action, such as pushing a consumer boycott, that might help in getting a settlement they want.

In addition to exchanging information on wages, fringe benefits, etc., the councils will aim for common expiration dates of contracts, thus setting the stage for international industry-wide collective bargaining.

## HUMAN RESOURCES

It's a good bet that more training programs to give adults new job skills will be of shorter duration in the future.

Charges of overtraining have been leveled in the past at federally funded manpower development programs. Now a Michigan State University research study, financed by the U. S. Manpower Administration, tends to confirm some of the criticism. It concludes that shorter training programs are the most productive for the worker, business and society.

Drs. Einar Hardin and Michael E. Borus, MSU faculty members, published the results of the study in their recent book, "The Eco-

nomic Benefits and Costs of Retraining." They say:

"Society obtained very high economic returns from training in 60- to 200-hour classes. The annual economic benefits after training averaged \$976 per trainee, the total investment cost averaged \$346, and society recovered its resource investment in much less than a year."

Medium and long classes (201 to 1,920 hours) produced very poor returns, they say. They report annual economic benefits to society after training were nil, the investment cost was high (\$1,666 per trainee) and there was no recovery of principal.



## MARKETING

Contrary to some predictions that youth's embrace of the "simple life style" will mean drastic changes in consumer buying patterns, it's likely that nothing business-shaking is going to happen.

That's the opinion of Dr. George Katona, University of Michigan consumer expert, who says a recent study shows those joining the labor force and forming families today want as large a variety of products

as young people wanted 10 or 20 years ago.

But while this is good news for business, there is a challenge—Dr. Katona predicts a continuing high rate of personal savings for the next decade.

U. S. credit union savings rose over 13 per cent in 1970, the largest annual rate in six years, while loans only increased by 9 per cent, reports the Credit Union National Association, Inc.

## MANUFACTURING

Expect more pragmatic looks at pollution matters in the future, with fewer knee-jerk reactions by business and government.

Talk of \$100 billion needed to modify the nation's industrial facilities to meet present pollution control standards has had a sobering effect.

It is sparking re-evaluation of environmental programs and their impact on the economy by some key members of Congress.

Sen. Birch Bayh (D.-Ind.) thinks Congress should explore the advisability of relaxing antitrust restrictions in areas of great

public interest, such as pollution control, to permit more cooperation between normally competing companies in developing necessary products or processes.

He says he hasn't made up his mind yet, but "if you're going to say no emissions from automobile engines, or no emissions from smokestacks or no emissions into streams and lakes, then we might lower the normal competitive restraints as far as possible so companies can develop the answers. I think this would improve their ability to compete both at home and abroad."

## NATURAL RESOURCES

Industrialization of emerging nations and the steadily increasing number of autos and miles of road point to a world-wide market of \$3.4 billion for salt and brine by the turn of the century, compared to an estimated \$1.1 billion this year.

This forecast is based on U. S. consumption rising at a modest 4 per cent annual rate and an increase rate of 5 per cent for the world as a whole.

In 1970 the U. S. produced 19.6 million tons of dry salt, exported 423,000 tons and imported 3.5 million tons. In all, the bill for dry salt came to some \$217 million. Only 3 per cent or so found its way into salt-shakers.

Some 9.5 million tons were used for de-

icing of U. S. roads, airports, harbors and other transportation facilities, at a cost of approximately \$68 million. Salt accounts for some 95 per cent of the chemicals used for de-icing.

The Salt Institute reports usage for this purpose jumped 28 per cent in 1969 and nearly 10 per cent in 1970. Projecting to the year 2,000, the Institute sees about 50 million tons annually going into de-icing—over twice the total of dry salt now being used for all purposes in this country.

Ecologists say de-icing with salt harms the environment. So, attaining a 4 per cent growth rate in U. S. salt consumption is going to hinge on the resolution of this conflict.

## TRANSPORTATION

Operation of offshore port terminals located as much as 65 miles from coasts may be a reality, through necessity, in a few decades.

The need is growing particularly acute in the Texas Gulf Coast area, due to the trend towards constructing supertankers to transport oil.

Only three Texas ports—Houston, Beaumont and Port Arthur—can handle ships with drafts of as much as 40 feet, which limits them to tankers of less than 80,000 deadweight tons.

The Texas Engineering Experiment Station at Texas A&M University says that by 1983 more than 1,400 of the 4,384 tankers then expected to be in operation throughout the world will be unable to enter Texas

ports. In the entire U. S., only Long Beach, Calif., and Seattle, Wash. today can accommodate 100,000-ton vessels, which need 50 feet of water at berths.

Texas A&M researchers estimate that transportation costs drop 75 per cent when tankers of 200,000 to 300,000 tons replace the 10,000- to 30,000-tonners now in general use. Thus supertankers predominate in shipbuilding planning, and experts predict million-ton supertankers drawing about 100 feet of water by the turn of the century.

To provide the needed depth for them, an offshore terminal for the Houston area would have to be over 30 miles out to sea; in Port Arthur's case, it would have to be 65 miles out.



## Editorial

# 1984, Senate-Style

A new water pollution control bill passed by the Senate must set some sort of record for absurdity.

Under the bill no pollutant whatever can be put into any waterway after 1984. All wastes of every kind must be recycled and reused.

To accomplish this, it's estimated that the city of New York, for example, would need a settling basin about the size of the state of Connecticut.

Much as we all want pure water, we hope the House will apply more common sense to the problem.

There just ain't enough real estate in the country to make it work.



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